JR-WEST

ESTABLISHING SOLID FOUNDATIONS

Annual Report 2010

WEST JAPAN RAILWAY COMPANY

West Japan Railway Company (JR-West) is one of the six passenger railway transport companies formed by the split-up and privatization of Japanese National Railways (JNR) in 1987. Its mainstay railway business operates a network of lines with a total route length of approximately 5,000 kilometers, extending through 18 prefectures that account for around one-fifth of Japan's land area.

Railway systems in Japan evolved as a natural consequence of the cities that formed through the accumulation of people in the limited number of plains throughout the country. Joined like links in a chain, the geographical distribution of these cities has created a solid demand base that accounts for one-fourth of all passenger volume in Japan. While railway operations remain the core of its business, JR-West also aims to make the most of the assets that are part of its network of stations and railways to develop its retail, real estate, and hotel businesses.

Contents

CORPORATE PHILOSOPHY

1 We, being conscious of our responsibility for protecting the truly precious lives of our customers, and incessantly acting on the basis of safety first, will build a railway that assures our customers of its safety and reliability.

2 We, with a central focus on railway business, will fulfill the expectations of our customers, shareholders, and employees and their families by supporting the lifestyles of our customers, and achieving sustainable growth into the future.

3 We, valuing interaction with customers, and considering our business from our customers' perspective, will provide comfortable services that satisfy our customers.

4 We, together with our Group companies, will consistently improve our service quality by enhancing technology and expertise through daily efforts and practices.

5 We, deepening mutual understanding and respecting each individual, will strive to create a company at which employees find job satisfaction and in which they take pride.

6 We, acting in a sincere and fair manner in compliance with the spirit of legal imperatives, and working to enhance corporate ethics, will seek to be a company trusted by communities and society.

SAFETY CHARTER

We, ever mindful of the railway accident that occurred on April 25, 2005, conscious of our responsibility for protecting the truly precious lives of our customers, and based on the conviction that ensuring safety is our foremost mission, establish this Safety Charter.

1 Safety is ensured primarily through understanding and complying with rules and regulations, a strict execution of each individual's duty, and improvements in technology and expertise, and built up through ceaseless efforts.

2 The most important actions for ensuring safety are to execute basic motions, to rigorously enforce safety checks, and to implement flawless communication.

3 To ensure safety, we must make a concerted effort, irrespective of our organizational affiliation, rank, or assignment.

4 When uncertain about a decision, we must choose the most assuredly safe action.

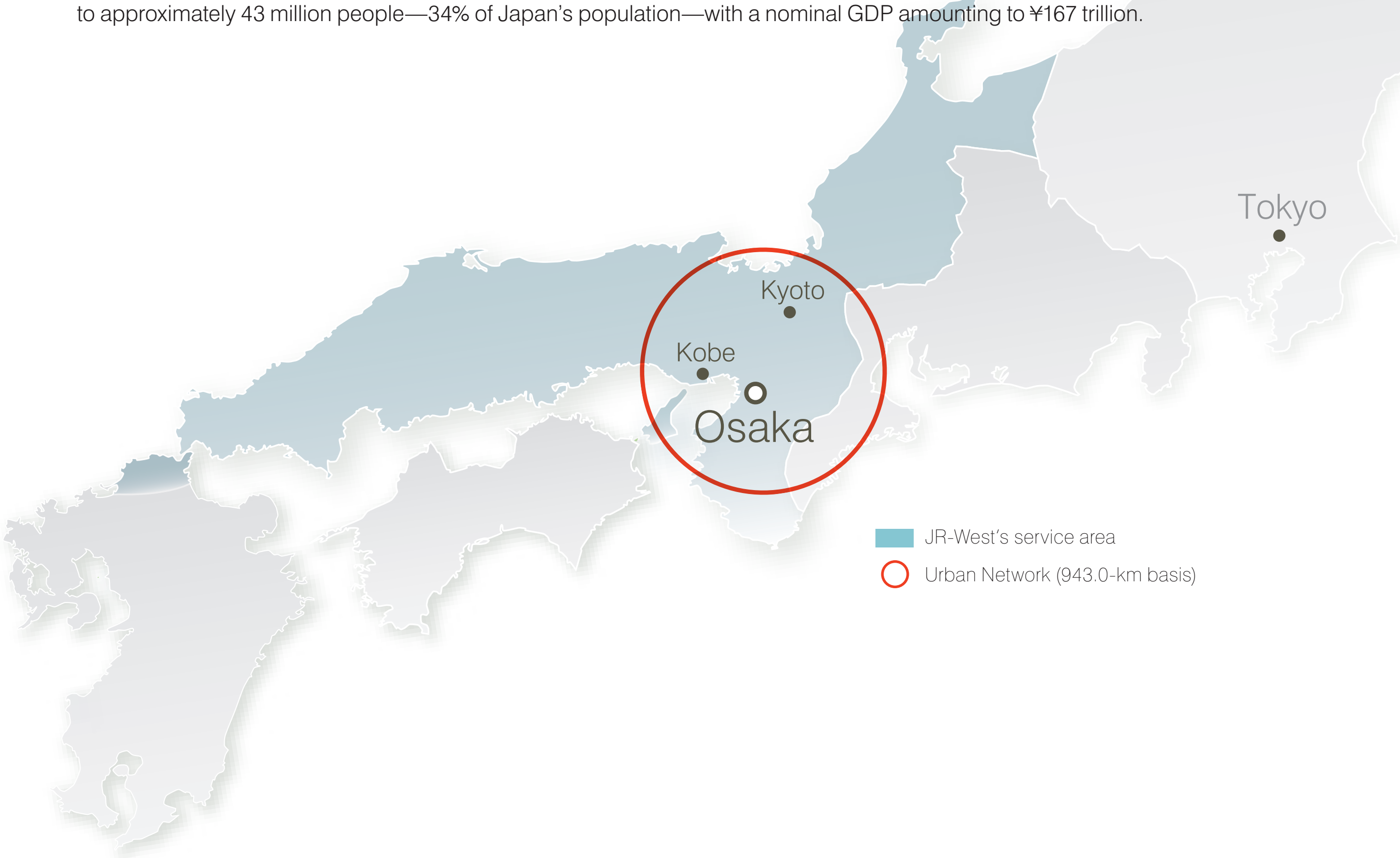
5 Should an accident occur, our top priorities are to prevent concomitant accidents, and to aid passengers.

Overview

SCALE OF OPERATIONS

Route Length	Population	GDP
5,012.7 km	**43** million	**¥167** trillion

JR-West operates a railway network that stretches across an area of approximately 104,000 square kilometers, covering 18 prefectures in western Honshu and the northern tip of Kyushu with a total operating kilometerage of 5,012.7 kilometers. In addition to railway passenger services, JR-West operates retail, real estate, and other businesses that offer synergistic benefits with the railway business. The area served by JR-West's rail network is home to approximately 43 million people—34% of Japan's population—with a nominal GDP amounting to ¥167 trillion.



SCALE OF ACHIEVEMENTS

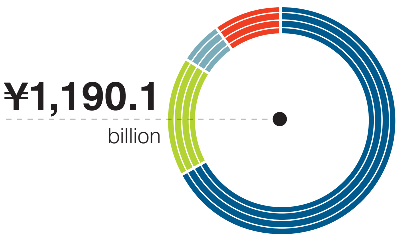
Sanyo Shinkansen	Urban Network	Affiliated Businesses
300	**3,900,000**	**145**
km per hour	passengers per day	subsidiaries

A significant portion of JR-West's revenue is derived from the Sanyo Shinkansen, a high-speed intercity transport line running at speeds of up to 300 kilometers per hour between Shin-Osaka Station in Osaka and Hakata Station in the city of Fukuoka in northern Kyushu. The line runs through several major cities in western Japan, including Kobe, Okayama, Hiroshima, and Kitakyushu.

JR-West's Urban Network provides services to the Kyoto–Osaka–Kobe metropolitan area, which has a population of more than 20 million. An average of 3.9 million passengers use JR-West's Urban Network daily (fiscal 2010), mainly for commuting to and from work or school.

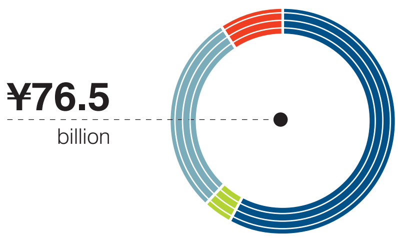
In addition, 145 subsidiaries of JR-West (of which 65 are consolidated subsidiaries) operate affiliated businesses in such fields as sales of goods and food services, and real estate business. By generating synergies with JR-West's railway operations, these businesses aim to contribute to the expansion of the Group's earnings.

OPERATING REVENUES
by Business Segment (From Third Parties)
(Consolidated)



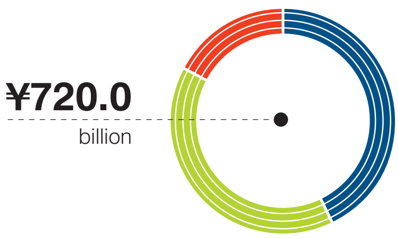
- Transportation Operations **67%**
- Sales of Goods and Food Services **17%**
- Real Estate Business **6%**
- Other Businesses **10%**

OPERATING INCOME
by Business Segment (Consolidated)



- Transportation Operations **58%**
- Sales of Goods and Food Services **4%**
- Real Estate Business **29%**
- Other Businesses **9%**

RAILWAY OPERATING REVENUES
(Non-Consolidated)



- Shinkansen **43%**
- Urban Network **40%**
- Other Conventional Lines **17%**

Consolidated Financial Highlights

West Japan Railway Company and its consolidated subsidiaries
Years ended March 31

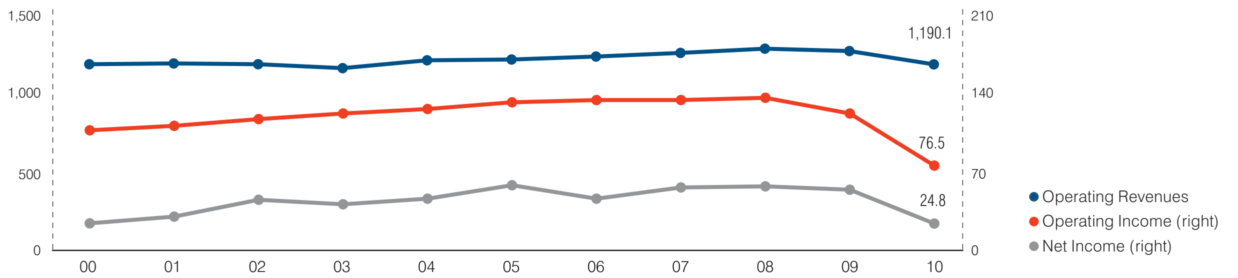
	Billions of yen 2010	2009	2008	Millions of U.S. dollars[1] 2010
OPERATIONS:				
Operating revenues	**¥1,190.1**	¥1,275.3	¥1,290.1	**$12,797**
Operating income	**76.5**	122.5	137.4	**822**
Net income	**24.8**	54.5	57.7	**267**
BALANCE SHEETS:				
Total assets	**2,546.3**	2,461.8	2,462.8	**27,380**
Long-term debt and payables[2]	**1038.9**	953.2	957.2	**11,171**
Total net assets	**702.1**	689.6	670.8	**7,549**
CASH FLOWS:				
Net cash provided by operating activities	**161.3**	178.8	222.1	**1,734**
Net cash used in investing activities	**(208.7)**	(172.6)	(179.2)	**(2,244)**
Net cash provided by (used in) financing activities	**54.6**	(10.1)	(55.8)	**587**
OTHER DATA:				
Depreciation	**141.9**	137.0	128.0	**1,525**
Capital expenditures, excluding contributions received for construction	**210.1**	163.9	187.9	**2,259**
EBITDA[3]	**218.4**	259.5	265.4	**2,348**

	Yen 2010	2009	2008	U.S. dollars[1] 2010
PER SHARE DATA:				
Net income	**¥ 12,837**	¥ 27,729	¥ 28,954	**$ 138**
Cash dividends	**7,000**	7,000	6,000	**75**
Net assets	**345,568**	339,113	322,294	**3,715**

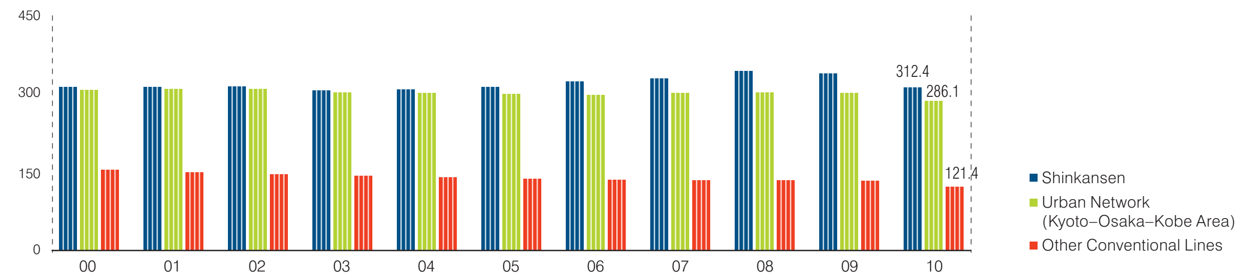
	% 2010	2009	2008
RATIOS:			
ROA (operating income basis)	**3.1**	5.0	5.6
ROE	**3.7**	8.4	9.3
DOE	**2.0**	2.1	1.9
Equity ratio	**26.3**	26.7	25.9

1 Yen figures have been converted into U.S. dollars at the rate of ¥93=U.S.$1.00, the exchange rate prevailing on March 31, 2010.
2 Long-term debt and payables includes the current portion of long-term debt and long-term payables.
3 EBITDA = Operating income + Depreciation

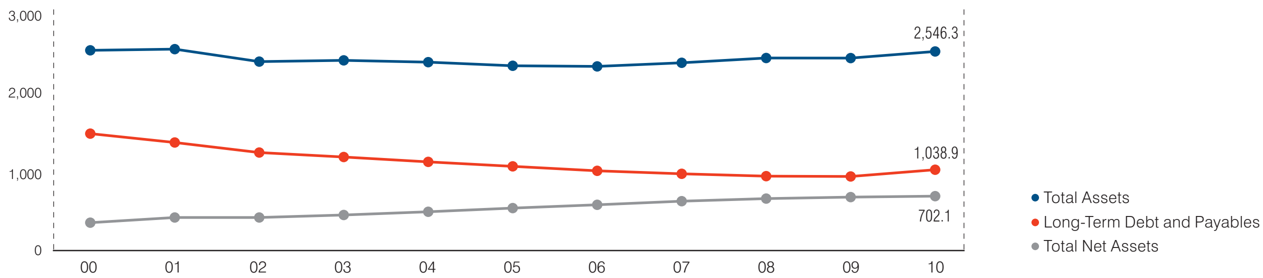
OPERATIONS
Billions of yen



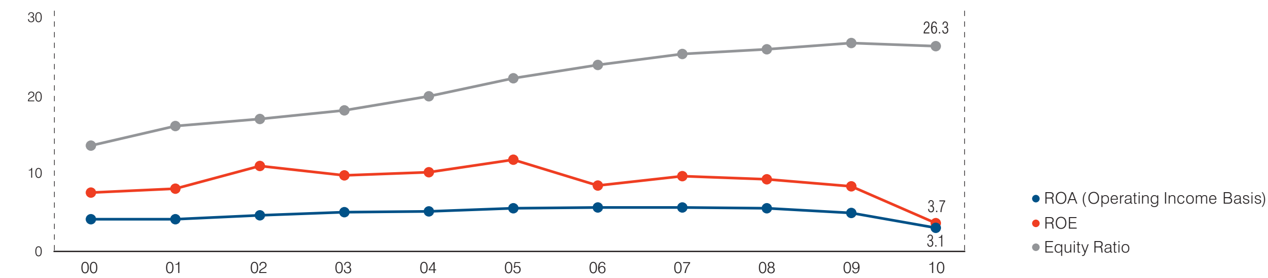
RAILWAY OPERATING REVENUES
Billions of yen



BALANCE SHEETS
Billions of yen



RATIOS
%



The President's Message

TAKAYUKI SASAKI
President, Representative Director, and Executive Officer

We are working to create a sound corporate foundation to support sustainable growth and realize medium- to long-term improvements in corporate value.

OVERVIEW OF FISCAL 2010

In fiscal 2010, ended March 31, 2010, JR-West was significantly affected not only by the steep downturn in the Japanese economy but also by such factors as the lowering of expressway tolls and the spread of a new influenza virus. This adverse operating environment contributed to a substantial fall in operating revenues, centering on transportation revenues, making fiscal 2010 an extremely tough year for JR-West. Faced with these operating conditions, JR-West worked hard to secure operating revenues, including through the implementation of a range of measures aimed at stimulating travel demand. In addition, under the supervision of the Management Improvement Headquarters, which was established in March 2009, we strove to reinforce our management foundations by reviewing operational systems across all of JR-West's business operations. However, despite these efforts, the rate of decline in operating revenues was particularly large, resulting in a significant fall in revenues and income in fiscal 2010.

FORECAST FOR FISCAL 2011

For fiscal 2011, ending March 31, 2011, the outlook for the economy continues to remain unclear, but there is little hope for a swift recovery. Furthermore, we expect the operating environment to deteriorate amid such developments as moves toward making expressways toll-free or introducing a system of capping expressway tolls as well as increasing the number of departure and arrival slots at Haneda Airport, the main domestic airport serving Tokyo. Despite this adverse operating environment, JR-West will nevertheless continue to build a brand of safety and reliability through further safety improvements and aim to increase profitability through measures to secure and expand operating revenues. In addition to these efforts, we will also steadily promote strategies focused on sustainable growth to enhance our corporate value over the medium to long term.

MANAGEMENT POLICY

As core assumptions within the plans outlined above, we will more strongly carry out measures under our three pillars of management—"measures to have ourselves accepted as acting with the best intentions by the victims of the train accident," "enhancement of safety," and "furthering of reform"—which we have previously promoted. Furthermore, with safety as our first priority, we will focus on our frontline operations and technology as well as build a corporate culture in which employees can work with free and vigorous exchange of opinion and realize employee satisfaction from the work that they do. By creating a JR-West in which employees respond to the trust vested in them by society with a sense of pride and satisfaction in their work, we are aiming to bolster the JR-West Group's organizational strength. Also, in light of the compliance issues that arose in the course of the Aircraft and Railway Accidents Investigation Commission's investigation into the Fukuchiyama Line accident, we have been implementing measures to prevent a recurrence, including through the establishment of clear corporate ethics and by reinforcing our corporate governance system.

In addition, JR-West is pursuing improvements in its profitability from both revenue and expenditure perspectives as it responds to the challenges posed by the adverse operating environment. First, we will capitalize on a broad array of opportunities to secure revenues and halt its steep decline. This reflects our strong commitment to stem the declining trend in revenues and subsequently to reverse it. On the expenditure side, the Management Improvement Headquarters is leading efforts to reduce costs while maintaining and enhancing safety. This process involves further deepening the review of operational systems across the entire group. Another key area is the steady preparations that we are undertaking for the full commencement of mutual through-services between the Sanyo and Kyushu Shinkansen Lines and the completion of the Osaka Station Development Project, which are both scheduled for spring 2011. We are working to stimulate demand prior to the opening of these new attractive services and facilities to ensure that we reap the maximum contribution to operating revenues.

Through the measures I have outlined above, we are striving to build a corporate group that is safe and wins the trust of all its stakeholders. We are also working to create a sound corporate foundation to support sustainable growth and realize medium- to long-term improvements in corporate value. In these endeavors, we look forward to the ongoing understanding and support of our shareholders and other investors.

May 2010

Takayuki Sasaki
President, Representative Director, and Executive Officer

ESTABLISHING SOLID FOUNDATIONS

JR-West will advance management with the pursuit of safety as its first priority and thereby build a brand of safety and reliability. Also, as key growth drivers, the Company is focusing on maximizing the potential of the Sanyo Shinkansen Line high-speed intercity passenger service and proceeding the Osaka Station Development Project. These efforts are aimed at increasing JR-West's corporate value. This special feature provides an overview of the strategies and measures JR-West is implementing to strengthen its foundations for enhancing safety and realizing growth in its business operations.

Enhancing Safety

BASIC SAFETY POLICY

Following the Fukuchiyama Line accident, JR-West formulated its new Corporate Philosophy, which sets out the direction in which the Company must strive toward and the Company's sense of values. The first article of the Corporate Philosophy stipulates, "We, being conscious of our responsibility for protecting the truly precious lives of our customers, and incessantly acting on the basis of safety first, will build a railway that assures our customers of its safety and reliability."

Safety Charter

Since JR-West defines safety as the one value that must always be upheld with the highest priority, JR-West has set out its Safety Charter as a specific code of conduct for employees regarding safety.

We, ever mindful of the railway accident that occurred on April 25, 2005, conscious of our responsibility for protecting the truly precious lives of our customers, and based on the conviction that ensuring safety is our foremost mission, establish this Safety Charter.

1 Safety is ensured primarily through understanding and complying with rules and regulations, a strict execution of each individual's duty, and improvements in technology and expertise, and built up through ceaseless efforts.
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3 To ensure safety, we must make a concerted effort, irrespective of our organizational affiliation, rank, or assignment.
4 When uncertain about a decision, we must choose the most assuredly safe action.
5 Should an accident occur, our top priorities are to prevent concomitant accidents, and to aid passengers.

Stance of Safety Measures

Following the reflection over the Fukuchiyama Line accident, we believe that our greatest failure lies in not having been able to detect beforehand the factors that contributed to the accident. For this reason, we have subsequently striven to increase our sensitivity to safety, identify dangers and risks before they materialize, and build a system to enable the necessary steps to be taken in implementing proactive safety measures. To achieve this, we believe that it is necessary to establish an effective framework as well as instill safety awareness among employees.

Establishment of a Framework

With regard to the identification of dangers and risks before they materialize and the implementation of measures to address serious risks, we have introduced risk assessments as a specific means of enabling uniform responses on a Company-wide basis.

As a system to facilitate the smooth and appropriate implementation of such measures, we have radically overhauled the Company's entire concept of accidents, and are working to enhance our technical capabilities, improve communication, enhance frontline capabilities, and reinforce coordination with Group companies.

Instilling Safety Awareness

Safety awareness is the starting point for safety and is also essential as a means of compensating for any incompleteness within the system. For these reasons, we formulated the Safety Charter as a specific code of conduct regarding safety and

BASIC SAFETY PLAN

We have formulated the Basic Safety Plan as our initiatives aimed at building a system of proactive safety measures. We are working together with our Group companies in an all-out effort to reach our attainment targets under the Basic Safety Plan.

Attainment Target

Building a corporate system to ensure no accidents that produce casualties among our customers and no serious labor accidents to our employees.

Specifically, through the measures of the five-year Basic Safety Plan, we aim to implement and establish the following initiatives:

(1) Identification of risks that could lead to the death or injury of customers or serious labor accidents among employees, sharing results of evaluations on the seriousness of each risk among related individuals

(2) Implementation of countermeasures for risks that need to be given priority

(3) Reception of a large amount of safety information from employees, establishment of appropriate systems for monitoring risk

In pursuing these targets, we have specified the responsible department and related departments for each item and formulated a clear schedule for the implementation of measures. The Basic Safety Plan Implementation Committee and other bodies evaluate progress and confirm policies, and improvements are carried out as necessary.

have encouraged employees to take concrete action in accordance with the values set in the Charter.

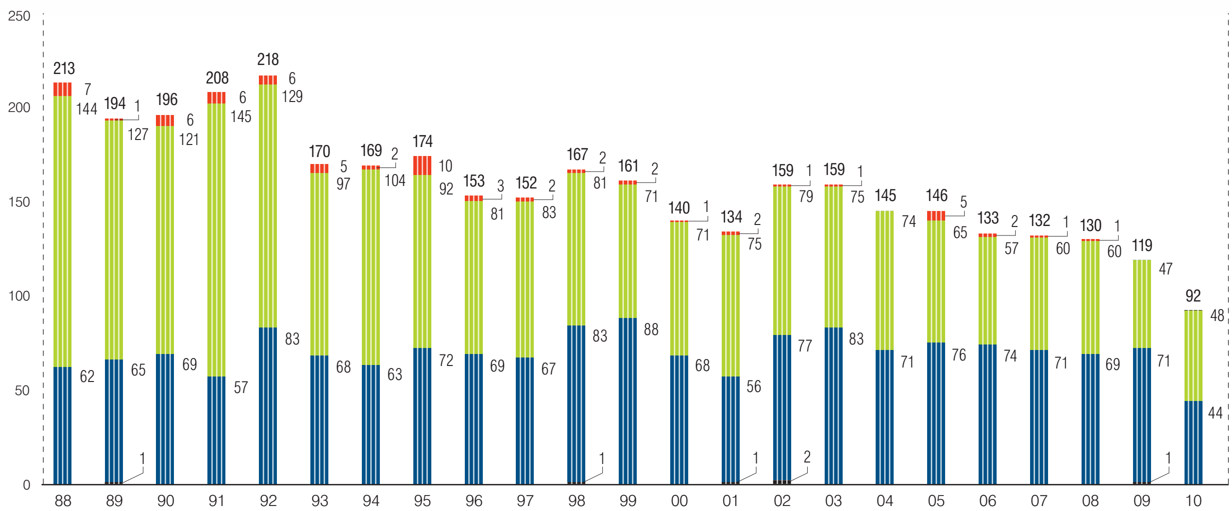
Furthermore, in training programs conducted at our Railway Safety Education Center, which we consider the starting point for our safety education, and at each operational site, we are pursuing measures to ensure that we maintain the lessons learned from the accident.

CURRENT SAFETY STATUS

Since the establishment of JR-West, as a result of a wide array of measures carried out to enhance safety, the number of operational railway accidents during fiscal 2010 was the lowest in the Company's history.

However, in light of the fact that a certain number of accidents still occur, we will aggressively implement measures for the continued enhancement of safety.

OPERATIONAL RAILWAY ACCIDENTS



Operational railway accidents: Accidents as stipulated by ministerial ordinance such as train collisions

- **Train accidents:** Train collisions, train derailments, and train fires
- **Railway level crossing obstruction accidents:** Collisions or contacts between trains or railcars and people or vehicles crossing railway tracks at railway level crossings
- **Railway death or injury accidents:** Deaths or injuries to people resulting from the operation of trains or railcars
- **Property damage accidents:** Property damage of ¥5 million or more resulting from the operation of trains or railcars

Realizing Growth

OSAKA STATION DEVELOPMENT PROJECT

The Osaka Station Renovation and New North Building Development Plan was formulated in December 2003 with the aim of making Osaka Station—JR-West's foremost terminal station located in the heart of Osaka's Kita District—a facility befitting its status as the gateway to Osaka. Upon its completion, the plan will also increase the revenue of the corporate group, and help to revitalize both the Osaka Station area as well as the Kansai region. The three main elements of the plan are the fundamental renovation of the station, enhancement of station concourses and public areas, and development of the New North Building, which together will enhance the comfort and convenience of Osaka Station as well as provide it with the stateliness appropriate to a terminal station.

The focus of the station renovation and improvement is on alleviating overcrowding, providing more convenience for passengers changing trains, and making an environment that is barrier-free. The plan includes substantial revisions to the passenger flow and station layout, along with improvements that make the station easier to use. It also incorporates elements to create an attractive, symbolic station space, such as the construction of a large dome. Further, in conjunction with the station renovation, we will improve the movement of passengers in the area surrounding Osaka Station by creating walkways and open areas in the new building and over the railway station. At the same time, as part of our initiatives to protect the global environment, we will introduce solar power generation, hydro-electric power generation, and rooftop greening to create an environment-friendly railway station.

At present, construction work on the Osaka Station Development Project is proceeding smoothly, and it will see the launch of the new Osaka Station facilities in spring 2011. JR-West is making steady progress in its preparations for the opening of the new facilities, with the entire development area to be named "Osaka Station City." The New North Building, which is currently under construction, will be renamed "North Gate Building," and the Osaka Terminal Building will be renamed "South Gate Building" after additions have been completed.

The anchor tenant of the North Gate Building will be the JR Osaka Mitsukoshi Isetan department store, which will benefit from the collective strengths and resources of JR-West and Isetan Mitsukoshi Holdings Ltd.

The shopping center that will occupy part of the North Gate Building will be called “Lucua.” JR-West plans to make Lucua into a substantial and attractive shopping center by leveraging the know-how it has accumulated in shopping center management.

The name Osaka Station City conveys the vision of creating a new landmark in Osaka, while also communicating the area’s positioning as a highly attractive and innovative gateway to Osaka and the Kansai region. Boasting excellent amenities and a high degree of convenience, we look forward to Osaka Station City becoming one of the region’s most loved and familiar locations.

For the entire JR-West Group, total project expenses are budgeted to be approximately ¥210 billion.

Realizing Growth

MUTUAL THROUGH-SERVICE OPERATIONS WITH THE KYUSHU SHINKANSEN LINE

To coincide with the beginning of services on all segments of the Kyushu Shinkansen Line scheduled for March 2011, JR-West plans to provide mutual through-services between the Sanyo Shinkansen Line and the Kyushu Shinkansen Line, operated by JR-Kyushu. These services will shorten the journey time between Shin-Osaka and Kagoshima-Chuo Stations to approximately four hours. We also expect to increase revenue by introducing a new railcar based on the latest N700 Series trains—which has earned an outstanding reputation for reliability—that will provide even higher-quality Shinkansen travel and by creating tourist demand through aggressive promotion of the rich tourist destinations in Kyushu. In addition, to maximize the benefits of the opening of the Kyushu Shinkansen Line, JR-West intends to consider strategies for stimulating the tourism market in Kyushu for travel to Kyoto and Osaka, with the opening of such shopping attractions as the North Gate Building.

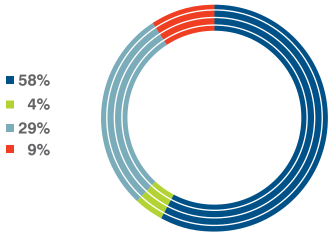
JR-West sees the commencement of these through-services as an important opportunity, and intends to aggressively commit management resources as well as further strengthen its cooperation with JR-Central and JR-Kyushu. By maximizing the potential of the Sanyo Shinkansen Line, JR-West aims to bolster passenger numbers. The Company also plans to collaborate with local government agencies in Kyushu on campaigns to strongly promote the convenience of the Kyushu Shinkansen Line and the attractions that Kyushu has to offer as a tourist destination. These campaigns will particularly target consumers in the Kyoto–Osaka–Kobe area as well as in Okayama, Hiroshima, and other parts of western Japan with the objective of further raising the tourism profile of Kyushu.

Planned total investment for this project is about ¥100 billion.

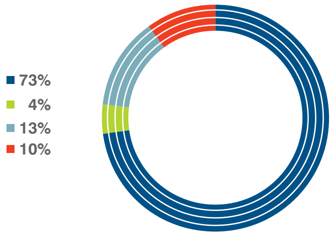
At a Glance

OPERATING REVENUES
by Business Segment (From Third Parties) (Consolidated)

OPERATING INCOME
by Business Segment (Consolidated)



TOTAL ASSETS
by Business Segment (Consolidated)



■ Transportation Operations ■ Sales of Goods and Food Services ■ Real Estate Business ■ Other Businesses

TRANSPORTATION OPERATIONS

Sanyo Shinkansen

The Sanyo Shinkansen is a high-speed intercity passenger service between Shin-Osaka Station in Osaka and Hakata Station in Fukuoka in the northern tip of Kyushu. The line runs through several major cities in western Japan, including Kobe, Okayama, Hiroshima, and Kitakyushu.

Urban Network

The Urban Network (Kyoto–Osaka–Kobe area conventional lines) provides passenger transport services to the densely populated Kyoto, Osaka, and Kobe and their surrounding areas.

Other Conventional Lines

JR-West's other conventional lines consist of limited express and express service trains for intercity transport, local transport for commuting to and from work or school in such core urban areas as Hiroshima and Okayama, and local lines through less-populated areas.

SALES OF GOODS AND FOOD SERVICES

JR-West's sales of goods and food services mainly target railway passengers, consisting of convenience stores, specialty stores, and other food and beverage establishments located in and around station buildings, as well as the JR Kyoto Isetan department store.

REAL ESTATE BUSINESS

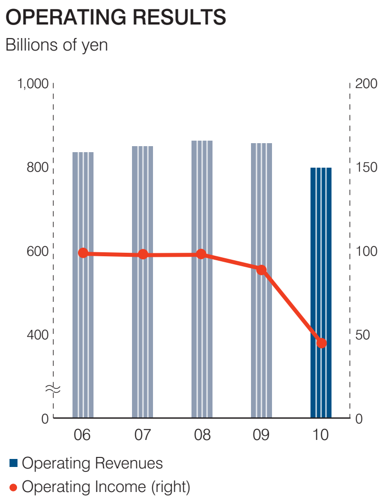
JR-West's real estate business consists of the management of shopping centers in station buildings and other facilities, operation of large station buildings at terminal stations, development of commercial facilities near station areas and underneath elevated tracks, and real estate sales and leasing operations for residential and urban development focused on railway lines.

OTHER BUSINESSES

JR-West's other businesses consist of a travel agency business operated by Nippon Travel Agency Co., Ltd., which became a consolidated subsidiary of JR-West in fiscal 2004, a hotel business operating the Hotel Granvia Kyoto and other hotels, as well as an advertising agency business, maintenance and engineering services, and other businesses to facilitate the smooth and efficient operation of the mainstay railway business.

Operating Results by Business Segment

TRANSPORTATION OPERATIONS



JR-West's Transportation Operations consist of railway operations and small-scale bus and ferry services. Railway operations encompass 18 prefectures in the western half of Honshu, Japan's main island, and the northern tip of Kyushu, a total service area of approximately 104,000 square kilometers. The service area has a population of approximately 43 million people, equivalent to 34% of the population of Japan. The Company operates 51 railway lines with a total of 1,222 railway stations. Operating route length totals 5,012.7 kilometers, almost 20% of passenger railway kilometerage in Japan. This network comprises the Sanyo Shinkansen, a high-speed intercity railway line, the Urban Network, covering the Kyoto–Osaka–Kobe metropolitan area, and other conventional railway lines (excluding the three branch offices in Kyoto, Osaka, and Kobe). In fiscal 2010, operating revenues in the segment declined 6.9%, to ¥797.4 billion, reflecting such factors as a sharp recession in the domestic economy, a reduction in expressway tolls, and the impact of the spread of a new influenza virus during the first half of the period under review. Most of this revenue is derived from passenger railway revenue of parent company JR-West, which declined 6.9%, to ¥720.0 billion. In addition, an increase in depreciation and amortization accompanying safety-related investments resulted in a 49.3% decrease in operating income, to ¥45.2 billion.

Sanyo Shinkansen

The Sanyo Shinkansen is a high-speed intercity passenger service between Shin-Osaka Station in Osaka and Hakata Station in Fukuoka in northern Kyushu. The line runs through several major cities in western Japan, including Kobe, Okayama, Hiroshima, and Kitakyushu. It has a total operating kilometerage of 644.0 kilometers and has 19 railway stations, including Shin-Osaka Station. JR-West owns the entirety of the railway facilities related to the existing Sanyo Shinkansen, and with the exception of Shin-Osaka Station (owned by JR-Central), operates all of the other 18 railway stations.

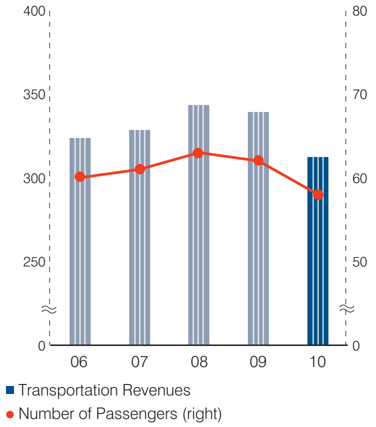
There are four types of services in operation on the Sanyo Shinkansen: the express services Nozomi, Hikari Rail Star, and Hikari, and the local service Kodama. The fastest of these is the Nozomi service, which operates at a maximum speed of 300 kilometers per hour, linking Shin-Osaka and Hakata Stations in 2 hours and 23 minutes at its fastest. The majority of the Nozomi services are through-services operating on Tokaido Shinkansen tracks operated by JR-Central and link Tokyo and Shin-Osaka Stations. This allows passengers to travel across the Tokaido Shinkansen from Tokyo or Nagoya to the major railway stations along the Sanyo Shinkansen—Okayama, Hiroshima, and Hakata—without having to change trains.

Transportation revenues from the Sanyo Shinkansen began declining after fiscal 1997 due to the slowdown in the Japanese economy, and more-intense competition from competing transportation services, such as airlines and highway buses. However, usage began to rise following an October 2003 timetable revision, primarily to reflect the switchover from Hikari to Nozomi services, and a lowering of fares for Nozomi services, which accompanied this switchover. Subsequently, thanks to further revisions of timetables, mainly to enable an increase in Nozomi services, and such marketing initiatives as the introduction of the Express Reservation system, revenues from the Sanyo Shinkansen rose for five consecutive years until fiscal 2008.

TRANSPORTATION REVENUES

Sanyo Shinkansen

Billions of yen / Millions of passengers



FISCAL 2010 RESULTS

In response to intensifying competition between JR-West's services on certain line segments and airline services, in March 2009 the Company began operating N700 Series trains on the two Nozomi services that operate between Tokyo and Hiroshima Stations every hour. In addition, we increased direct Nozomi services between Tokyo and Hakata Stations on the Tokaido and the Sanyo Shinkansen during the morning and evening. In other initiatives to further heighten the competitiveness of our Shinkansen services, in March 2010 we converted all direct regular Nozomi services that operate between Tokyo and Hakata Stations to N700 Series trains and expanded the number of hours each day when three Nozomi services per hour operate between Tokyo and Hakata Stations.

With regard to marketing activities, JR-West launched the EX-IC service for the Sanyo Shinkansen in August 2009 to enhance convenience and continued to undertake aggressive publicity campaigns aimed at stimulating usage of its Shinkansen services. These campaigns focused on such points as the increased frequency of the Sanyo Shinkansen, the comfort of N700 Series trains, the convenience of the Express Reservation system, and the price advantages for passengers. In response to the weak economy, and amid significant reductions in expressway tolls, the Company implemented programs aimed at generating tourism demand by aggressively promoting sales of special-offer products. These included Kodama reserved-seat round-trip tickets and the West Japan Pass.

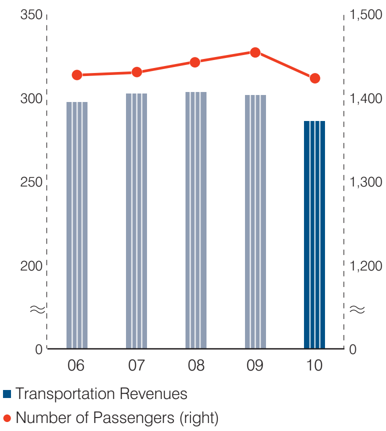
However, owing to the impact of a sharp recession in the domestic economy, a reduction in expressway tolls, and the spread of a new influenza virus, in fiscal 2010 the number of passengers that used the Sanyo Shinkansen declined 6.9%, to 58 million passengers, and total passenger-kilometers decreased 6.7%, to 14,818 million kilometers. Transportation revenues decreased ¥26.6 billion, or 7.9%, to ¥312.4 billion.

INITIATIVES GOING FORWARD

JR-West is faced with not only a harsh economic climate but also a range of factors affecting the competitive environment, including a substantial reduction in expressway tolls and the abolition of tolls on some routes as well as an increase in landing and takeoff slots at Haneda—Tokyo's main domestic airport. In preparation for the full opening of the Kyushu Shinkansen Line in March 2011, we are setting timetables that offer a high level of convenience—including the operation of direct services between the Sanyo Shinkansen and Kyushu Shinkansen Lines—and building up our product lineup and marketing channels. Furthermore, we are undertaking initiatives aimed at increasing the use of our railway services, such as the creation of Shinkansen timetables that fully exploit the benefits of introducing N700 Series trains, the provision of comfortable, highly reliable transportation services that meet demand trends, and publicity campaigns highlighting the environment-friendliness of Shinkansen services. In addition, we are conducting publicity campaigns that focus on the convenience and price advantages of the Express Reservation system and the EX-IC service, and working to expand usage of the Sanyo Shinkansen and other services by offering the J-West Premium Program and the EX-Reservation Corporate Service. We are also utilizing destination campaigns and the DISCOVER WEST campaign as part of our efforts to generate tourism demand. This includes pursuing tie-ups with local organizations and travel agencies to bolster tourism-related products and services, and undertaking travel product planning and sales promotion activities.

Urban Network Services

TRANSPORTATION REVENUES
Urban Network Services
Billions of yen / Millions of passengers



The Urban Network provides passenger services for the densely populated major cities of Kyoto, Osaka, and Kobe, and their surrounding areas. It has an operating route length of 622.0 kilometers (943.0 kilometers including the three branch offices in Kyoto, Osaka, and Kobe), forming a comprehensive network stretching across the entire Kyoto–Osaka–Kobe region.

The Urban Network area includes the portion of the Fukuchiyama Line between Tsukaguchi and Amagasaki Stations where JR-West caused a terrible accident on April 25, 2005, resulting in a substantial loss of the trust we have built with customers and society. We recognize that redoubling our efforts to prioritize safety and regaining that trust is one of our highest management priorities.

FISCAL 2010 RESULTS

In accordance with the Basic Safety Plan prepared in April 2008, we advanced and established measures to analyze safety issues identified through reports and other feedback from employees and worked to implement countermeasures. Specifically, JR-West expanded the ATS-P system, increased the safety of trains by changing their structures, and improved the safety of equipment at railway crossings.

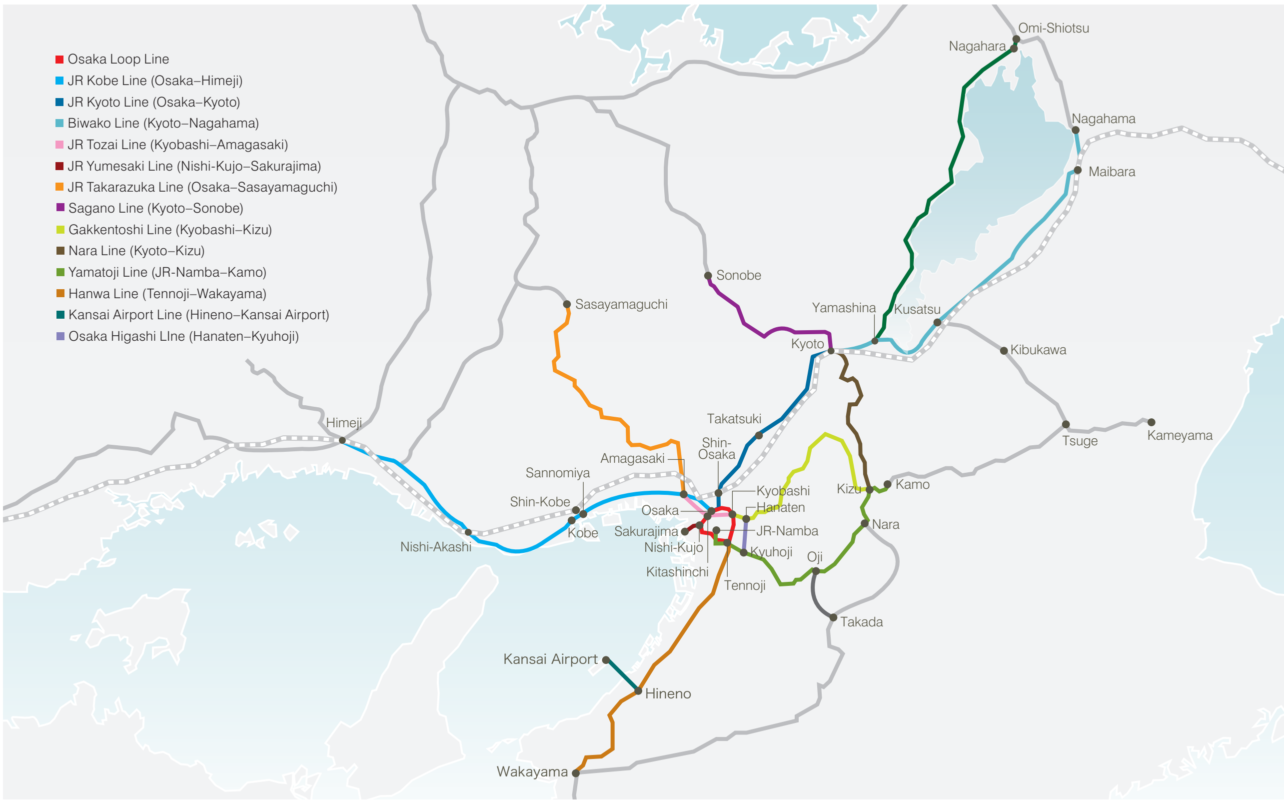
In transportation operations, the Company began using a new traffic control system on the Osaka Loop Line, Yamatoji Line, and other lines in October 2009 as part of measures to enhance safety and reliability. In March 2010, the Company increased the number of rapid trains on the Sagano Line between Kyoto and Sonobe Stations following completion of a double track along that segment to enhance convenience for service users.

However, in fiscal 2010, owing to the impact of a weak domestic economy and the spread of a new influenza virus, the number of railway passengers on the Urban Network (including the three branch offices in Kyoto, Osaka, and Kobe) decreased 2.7%, to 1,423 million passengers, and total passenger-kilometers declined 2.8%, to 28,114 million kilometers. Transportation revenues decreased ¥15.4 billion, or 5.1%, to ¥286.1 billion.

INITIATIVES GOING FORWARD

JR-West is giving priority to measures to further improve safety, such as expansion of the ATS-P system, and is steadily implementing a range of forward-looking initiatives.

In marketing initiatives, capitalizing on its railway network in the Kyoto–Osaka–Kobe area, JR-West will advance initiatives to develop tourism, which will include collaboration with other railway operators and be centered on Kyoto, Nara, and Sakai. Also, we will move forward steadily with the Osaka Station Development Project. In conjunction with those efforts, we will improve accessibility and the quality of transportation services for the area surrounding Osaka Station, which, with completion of the Osaka Station Development Project, will likely attract dramatically more customers in the near future. Other initiatives will include increasing the values of its railway belts through initiatives in which the railway division and the business development division work in unison and collaborate with local communities to develop railway stations and their surrounding areas.



The ICOCA IC card

Use of the ICOCA non-contact IC card, a service introduced in the Urban Network area in November 2003, has steadily increased, with the number of cards issued reaching 5.23 million within the first six-and-a-half years of the launch of the service. In August 2004, we began offering reciprocal use with the Suica IC card issued by East Japan Railway Company (JR-EAST), and in January 2006 reciprocal use with the PiTaPa IC card issued by Surutto Kansai Association, an organization composed of public and private railway operators in the Kansai region. We have steadily broadened the area in which the ICOCA IC card can be used, introducing the service in the Okayama and Hiroshima areas from September 2007, and offering interoperability with Central Japan Railway Company (JR-Central)'s TOICA IC card from March 2008. In addition, in December 2009 we began discussions on tie-up services with Surutto Kansai Association utilizing IC card passenger tickets, and reached an agreement that aims to enhance railway passenger convenience by coordinating services.

Also, to coincide with the February 2006 launch of the J-WEST card, we began issuing the SMART ICOCA IC card, which allows cardholders to add money to their IC card without using cash.

For the ICOCA electronic money service launched in October 2005, we are working to further expand the number of stores in cities and towns where the service can be used, such as major convenience store and restaurant chains. Previously, in March 2008 we began reciprocal use with Suica, an electronic money service provided by JR-EAST, and in March 2010 we commenced reciprocal use with JR-Central's TOICA IC card. From spring 2011, we plan to begin reciprocal use with Kyushu Railway Company (JR-Kyushu)'s SUGOCA service. These measures are designed to enhance ICOCA IC card user convenience in combination with usage on railway services.

Other Conventional Lines

JR-West's other conventional lines comprise intercity transport provided by limited express and express services, regional transport for commuters and students in and around regional hub cities such as Hiroshima and Okayama, and local lines with low transport density. The other conventional lines have an operating route length of 3,425.7 kilometers.

The operating environment for other conventional lines continues to be difficult due to the declining population of areas served by these lines. However, considering that these lines play a role as feeders for Shinkansen services and function as a vital part of the railway network, we are working to provide community-oriented services and undertake other management efforts, while placing priority on ensuring safety. We also introduced new rolling stock for the limited express train Thunderbird and increased the number of Hakutaka limited express trains.

The number of railway passengers on the other conventional lines during fiscal 2010 decreased 3.7%, to 361 million, although total passenger-kilometers were down 5.6%, to 9,078 million kilometers. Transportation revenues decreased 8.4%, or ¥11.1 billion, to ¥121.4 billion.

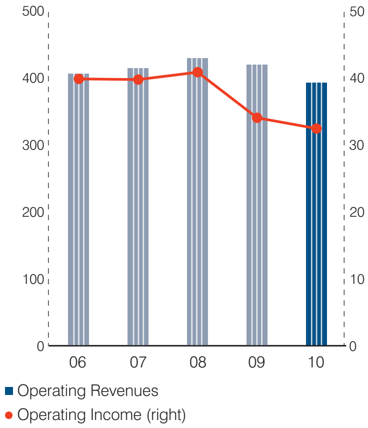
Bus and Ferry Services

The Transportation Operations segment also includes bus and ferry services. In bus services, amid a continuing harsh competitive environment—including a substantial reduction in expressway tolls—we worked to enhance passenger convenience through such measures as timetable revisions, the addition of new bus stops, and the development of a flexible pricing system.

In ferry services (the Miyajima Line), to implement a structure that facilitates timely and appropriate decision making, as well as to enhance safety and develop finely tuned marketing strategies, JR-West transferred ferry services to subsidiary JR West Miyajima Ferry Co. Ltd. in April 2009.

NON-TRANSPORTATION OPERATIONS

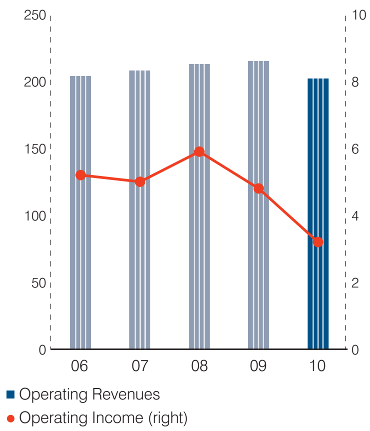
OPERATING RESULTS
Billions of yen



JR-West's Non-Transportation Operations comprise three operations: Sales of Goods and Food Services, Real Estate Business, and Other Businesses. Those operations contribute to the sustainable growth of the Group as a whole by vigorously taking advantage of their assets, improving services for customers using railway services and customers in areas alongside railway lines, as well as providing high-quality services that are safe and reliable to further increase the appeal of railway stations and earn the trust of customers. The Railway Operations Headquarters and the Business Development Headquarters will increase the value of its railway belts through initiatives that entail collaboration with local communities to develop railway stations and their surrounding areas. In development, our basic approach is to clarify management responsibility in order to accelerate operational development and pursue development through Group companies. In accordance with that approach, we will develop commercial facilities in and around railway stations and areas between railway stations, and conduct operations that use idle land for the development and sales of condominiums. Also, in order to foster earnings mainstays for the next generation, JR-West is furthering initiatives to create new businesses through collaborations inside and outside the Group.

Sales of Goods and Food Services

OPERATING RESULTS
Billions of yen



JR-West's retail services mainly target railway passengers, consisting of convenience stores, specialty stores, and other food and beverage establishments located in and around station buildings, as well as the JR Kyoto Isetan department store.

FISCAL 2010 RESULTS

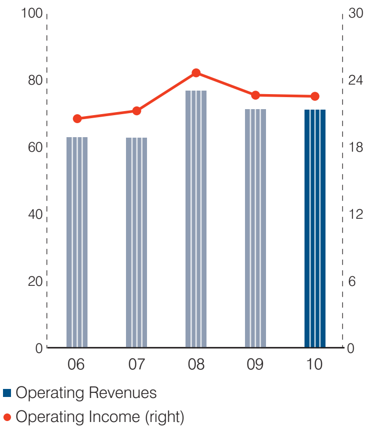
With regard to the department store that will occupy a part of the New North Building of Osaka Station, the Company pursued preparations for the opening of the new store, centered on the development planning office of the main operator, West Japan Railway Isetan Limited. We also undertook measures aimed at increasing the appeal of railway stations, including through the opening of a souvenir and gift market and other stores and restaurants following the refurbishment of Hakata Station, and the opening of the Eki Marché Takarazuka shopping center in Takarazuka Station accompanying the completion of an overhead connection bridge.

However, owing to the impact of such factors as a sharp recession in the domestic economy and the spread of a new influenza virus during the first half of the fiscal year under review, operating revenues in the Sales of Goods and Food Services segment decreased 6.2%, to ¥201.9 billion. Operating income declined 33.6%, to ¥3.1 billion, mainly reflecting cost increases relating to new-store openings.

Real Estate Business

OPERATING RESULTS

Billions of yen



JR-West's real estate business consists of the management of shopping centers in station buildings and other facilities, the operation of large station buildings at terminal railway stations, the development of commercial facilities near railway station areas and underneath elevated tracks, and real estate sales and leasing operations for residential and urban development focused on railway lines.

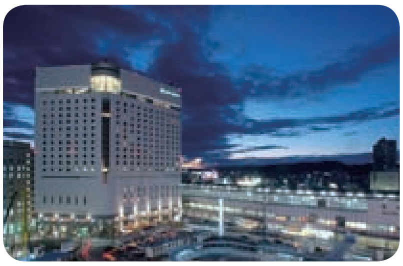
In shopping center operations, JR-West has strengthened the Group's tenant leasing functions, and accelerated its efforts to attract preferential tenants. At the same time, we have enhanced the drawing power and freshness of our facilities through regular merchandise and tenant changeovers. In real estate sales and leasing, JR-West seeks to effectively utilize its real estate holdings by steadily developing shopping centers in station buildings, as well as developing and selling condominiums on former sites of Company housing units and leisure facilities. We are also currently renovating Osaka Station and developing the New North Building, which are planned for completion in spring 2011.

FISCAL 2010 RESULTS

During the period under review, JR-West pursued the development of station facilities and surrounding areas. We carried out a full renovation of Station Plaza Tennoji in Tennoji Station and opened a new shopping center, Wakayama Mio, in the Wakayama Station building. On the west side of Sumakaihinkoen Station, we opened the JR Sumakaihinkoen Station West NK Building, which features a fitness club and other facilities. We also made steady progress on the Osaka Station Development Project, including renovation of Osaka Station, construction related to the development of the New North Building, and expansion of the ACTY Osaka building. We also pursued condominium developments on land formerly occupied by Company housing.

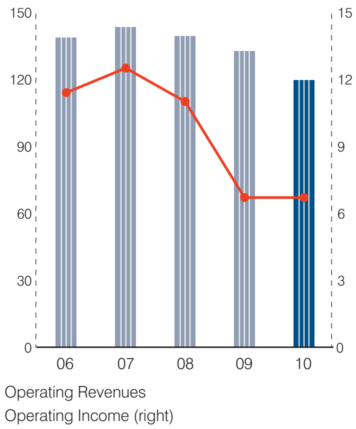
As a result, operating revenues for the Real Estate segment declined 0.3%, to ¥70.9 billion, and operating income decreased 0.5%, to ¥22.5 billion.

Other Businesses



JR-West's other businesses consist of the travel agency business operated by Nippon Travel Agency, which became a consolidated subsidiary of JR-West in fiscal 2004, the hotel business centered on the Hotel Granvia Kyoto, an advertising agency business, maintenance and engineering services, and other businesses to facilitate the smooth and efficient operation of the mainstay railway business.

OPERATING RESULTS
Billions of yen



FISCAL 2010 RESULTS

In the hotel business, we worked to expand sales through such measures as renovation of guest facilities and by hosting a range of events. In the travel agency business, amid extremely harsh operating conditions, we strove to increase sales utilizing our Internet marketing channel.

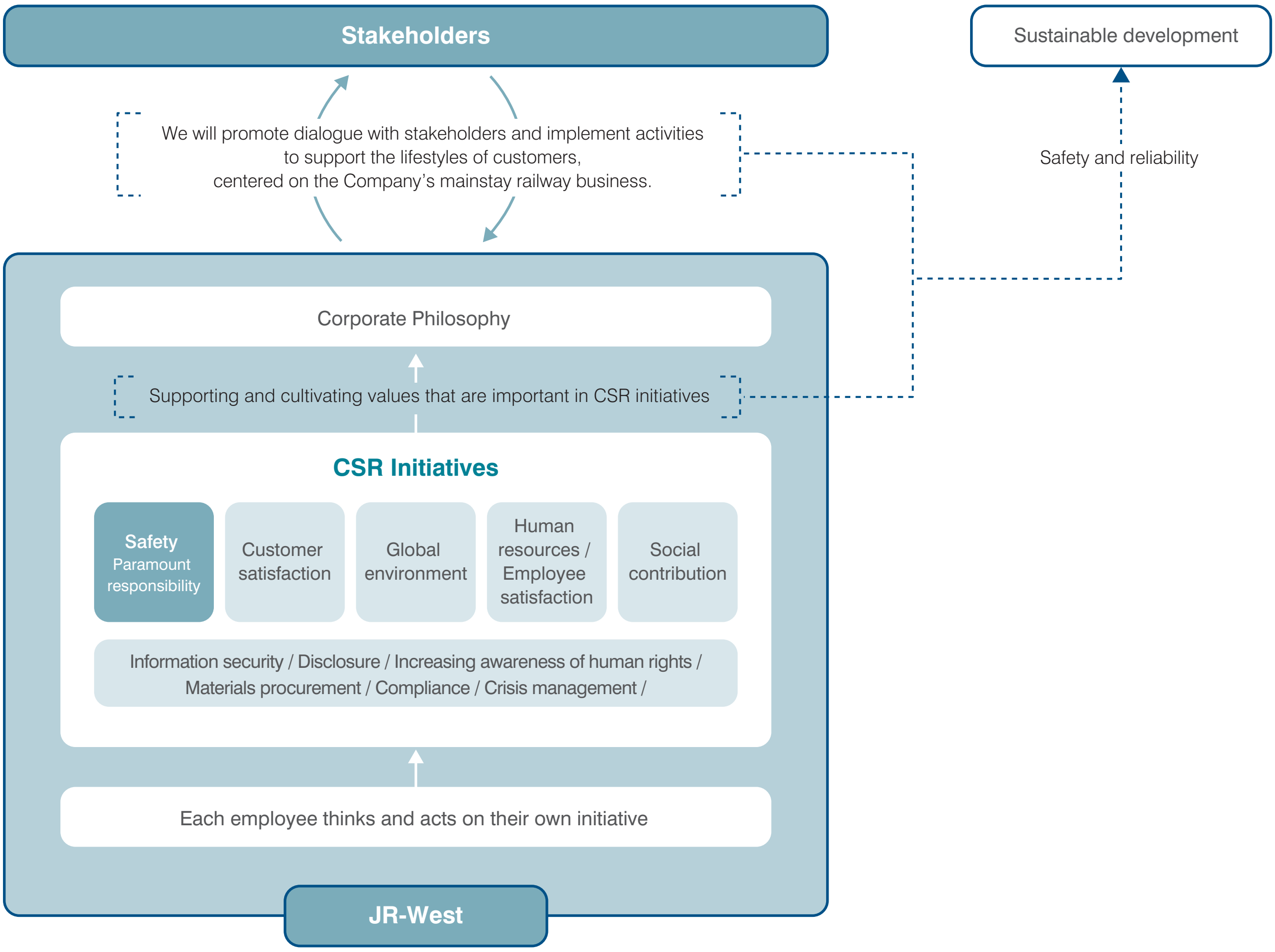
However, owing to the impact of such factors as a sharp recession in the domestic economy and the spread of a new influenza virus during the first half of the fiscal year, operating revenues in the Other Businesses segment declined 9.7%, to ¥119.6 billion. Operating income for the segment amounted to ¥6.7 billion.

Corporate Social Responsibility

OUR BASIC APPROACH TO CSR

JR-West's corporate social responsibility (CSR) is to realize its Corporate Philosophy. In order to underpin and foster the key values set out in its overriding Corporate Philosophy, and in light of society's expectations, JR-West has established priority areas relating to CSR. The Company's paramount responsibility is to ensure safety. Other priority areas include customer satisfaction, the global environment, human resources / employee satisfaction, and social contribution. JR-West recognizes these five areas where it can make unique contributions. JR-West also prioritizes compliance, crisis management, information security, disclosure, increasing awareness of human rights, and materials procurement. JR-West recognizes these six areas as the foundations of its operations. JR-West intends to communicate sincerely with society and actively promote dialogue with stakeholders. At the same time, the Company will heighten the quality of its business activities from the standpoint of CSR. Through those efforts, JR-West hopes to meet society's expectations and to enhance its level of safety and reliability while achieving sustainable development.

CSR PROMOTION FRAMEWORK



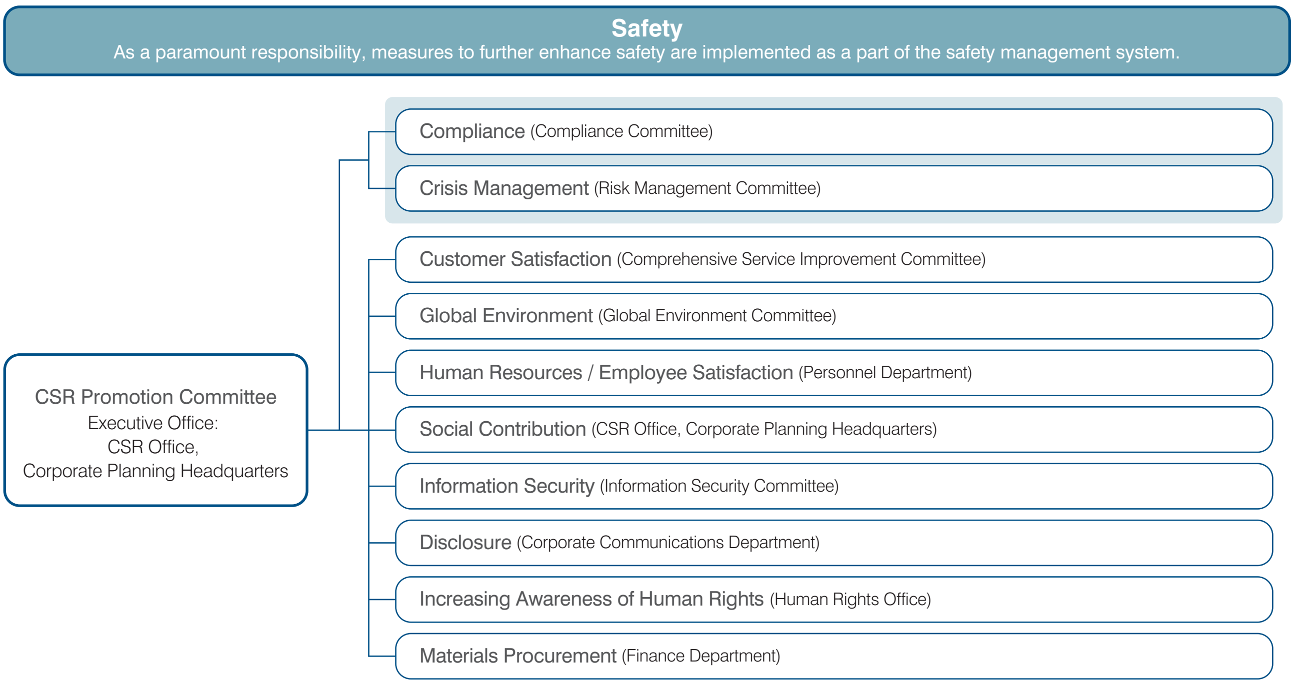
SYSTEM TO PROMOTE CSR

To enhance our ability to promote CSR as one of management's core tasks, we established the CSR Promotion Committee in June 2006. The president serves as chair of the committee and its membership comprises full-time directors, full-time corporate auditors, and general managers of headquarter divisions. We also established the CSR Office—within the Corporate Planning Headquarters—as the executive office of the CSR Promotion Committee. With the exception of safety issues—which are covered by a separate system—the CSR Promotion Committee is mandated to comprehensively examine 10 fields from a CSR perspective and implement improvements when necessary.

Specifically, in the first two years since its establishment—fiscal 2007 and fiscal 2008—the CSR Promotion Committee undertook a range of tasks that focused on organizing and sharing information on JR-West's CSR philosophy, basic policies concerning each field, medium-term goals, and key tasks to be accomplished in each fiscal year. In fiscal 2009, the CSR Promotion Committee convened three times. After clarifying the current status of measures and issues to be addressed, the committee presented its first Corporate Philosophy and Action Report (CSR report). In each half-year period, the committee also confirmed the status of progress of key tasks being implemented during the fiscal year in each field.

At present, as JR-West strives for corporate revitalization with total commitment, it is essential that the Company undertakes appropriate CSR measures in each field. Going forward, the Company will also work to highlight issues from a CSR perspective and thereby enhance the quality of is business operations.

THE COMPANY'S CSR ACTIVITIES



* ( ): The entity with primary responsibility for implementation

The priority issues in each key field are summarized as follows.

SAFETY

- We will establish a safety management system based on the comprehensive risk assessments that form one of the main pillars of the Basic Safety Plan. Also, we will continue to focus on such areas as upgrading the technology that underpins safety as well as improving communication between workplaces and employees. In addition, we are vigorously implementing measures to upgrade the hardware infrastructure, including the installation of ATS systems to prevent excessive speed.
- With regard to the matters identified in the report on the investigation into the train accident concerning the Fukuchi-yama Line train accident, we are steadily implementing measures in relation to all the matters identified.

CUSTOMER SATISFACTION

- As a key priority, we are implementing measures to enhance customer's sense of safety and comfort. Specifically, we are focusing on building facilities and systems to ensure reliable train services as well as measures to enhance the provision of timely and appropriate information to customers during train timetable disruptions.
- Looking ahead to the completion of the Osaka Station Development Project and the commencement of mutual through-services between the Sanyo Shinkansen and Kyushu Shinkansen, we intend to provide user-friendly stations and trains that offer a higher level of passenger comfort.
- We will strive to cultivate a heightened awareness of customer satisfaction issues among all employees in the JR-West Group regardless of their job type or department.

GLOBAL ENVIRONMENT

- We are steadily reducing CO_2 emissions through the development of new technology and other efforts, and we aim to realize a railway system that is more environment friendly.
- To create a railway system that conserves energy and resources, we are pursuing the realization of ideas that are born from environment-friendly actions based on employees' own thinking and initiative.
- By reinforcing our environmental management systems, we are striving to prevent environmental accidents, ensure compliance, and conserve energy and resources.
- We are implementing measures to develop a system that aims to provide tangible recognition to customers that by using trains they are acting in an environmentally conscious way. In particular, through the Eco Life Point service, we are promoting the use of the JR-West Group's environment-friendly products and services.

HUMAN RESOURCES / EMPLOYEE SATISFACTION

- As large numbers of our long-serving employees reach retirement age, we are working to ensure that technical skills are passed onto the younger generation to maintain and enhance safety. To achieve these goals, we are implementing training programs that develop employee awareness from a range of perspectives, including that of a member of society, corporate staff and a railway professional. At the same time, we are striving to reinforce training programs that aim to improve practical work skills. We are also utilizing a diverse array of recruitment methods and channels to secure and nurture human resources.
- We aim to develop employees who can act based on their own thinking and initiative. Such employees will have a strong understanding of the direction in which the Company must move and society's needs. They will think with initiative, express their ideas to peers and contribute opinions, and put their ideas into practice. By nurturing these qualities in our employ-ees, we aim to increase motivation and pride in their work.

PARTNERSHIP WITH LOCAL COMMUNITIES

- We will strive to reinforce our partnerships and cooperative relationships with local governments and other railway companies. We are proactively working to fulfill our role in local communities through such initiatives as improving the safety and comfort of stations, trains, and facilities along railway tracks; contributing to the revitalization of regions through tourism; and enhancing the value of our railway belts.
- As a member of local communities, we proactively participate in various local activities and strive to maintain good commu-nication with people in the communities we serve.

COMPLIANCE

- In February 2010, the Company established the Corporate Ethics Committee, which sets basic policy and promotion plans on compliance issues, deliberates on individual day-to-day matters, and makes recommendations to the Board of Directors. The committee is also working to ensure that systems are implemented effectively Group-wide at branches and subsidiaries.
- We carry out training programs tailored to each layer of the organization as well as invite outside lecturers and conduct group discussions on specific case studies to enhance effective understanding of issues among employees.
- By reinforcing our whistle-blowing system through expansion of outside hotlines and consultation services, we are working to foster a corporate culture that is self-correcting.

CRISIS MANAGEMENT

- We have established a system that monitors day-to-day crisis events and promptly reports serious events to management, and we conduct an overview of the system at the end of each fiscal year. We intend to increase the Company-wide sensitivity to crisis events through such measures as regular reporting to the Board of Directors about crisis event numbers and trends.
- We will strengthen our risk prevention and symptom control activities by bolstering organizational systems for responding to crisis events.

INFORMATION SECURITY

- Against a backdrop of increasing needs in the area of IT-driven operational reform and information sharing, we aim to realize a higher level of information security through the use of shared networks covering Group companies.
- In response to such threats as computer viruses, we are reinforcing employee training programs and implementing technical countermeasures, such as the strengthening of personal computer security.

DISCLOSURE

- By promoting greater information visibility and proactively communicating our management policies and the status of operational performance, we are striving to enhance management transparency. Furthermore, by showing JR-West employees carrying out their duties with a high level of professionalism and vitality and acting on their own thinking and initiative, we aim to communicate to the public our efforts to restore society's confidence in JR-West.
- Reflecting society's increasingly high expectations in recent years, we are striving to improve the accessibility of our corporate web site by utilizing photographs, charts, video, and other media as a means of realizing user-friendly information disclosure.

INCREASING AWARENESS OF HUMAN RIGHTS

- To raise awareness of human rights issues among employees, we believe that it is important for employees to directly address human rights issues personally. Based on this philosophy, at each workplace employees select a range of human rights issues for discussion (for example, discrimination against minority groups, people with disabilities, or people with mental illnesses), which is the basis for designing more-effective measures to address such human rights issues.
- We designate human rights promotion leaders in workplaces who play a central role in human rights education programs and encourage them to participate in experience-based training as part of our efforts to enhance the Group's level of human rights education. In addition, by expanding our human rights training materials, we are working to ensure that human rights issues are dealt with appropriately within the Group.

MATERIALS PROCUREMENT

- To increase the effectiveness of safety measures, the Group continually monitors, based on our basic criteria for quality management, the establishment and maintenance status of the quality management system at suppliers, and the implementation status of measures to prevent the recurrence of defects in relation to suppliers that have previously supplied defective products.
- In the selection of suppliers, we particularly focus on cooperative relationships with suppliers. Specifically, we expect suppliers to fully understand and comply with our basic purchasing policy.

Corporate Governance

FUNDAMENTAL STANCE ON CORPORATE GOVERNANCE

Based on its Corporate Philosophy and Safety Charter, JR-West will work to fulfill its corporate social responsibility and strive for sustained future growth through continuous efforts to establish a corporate culture that places top priority on safety. To realize these goals, from the perspective of enhancing the soundness, transparency, and efficiency of management, JR-West is striving to reinforce its corporate governance by putting in place systems to establish corporate ethics, strengthen oversight and supervisory functions, and expedite the execution of business operations.

OVERVIEW OF THE CORPORATE GOVERNANCE SYSTEM AND REASONS FOR ADOPTING THIS SYSTEM

JR-West adopts the structure of a Company with Auditors pursuant to the Corporation Law of Japan as its corporate governance system. By subjecting the execution of duties by the directors to appropriate auditing by each of the corporate auditors, including three external corporate auditors, JR-West ensures the transparency and fairness of its management.

Further, through the appointment of external directors and the adoption of such systems as the executive officer system, JR-West is working to strengthen the oversight and supervisory functions of the Board of Directors, decide on matters of operational execution that are critical to management, and ensure oversight of the directors' execution of duties. The external directors have a clearly defined and specialized role focusing on oversight and supervision. JR-West has five external directors. In addition to participating in decision making as full members of the Board of Directors, the external directors work to further strengthen oversight and supervisory functions through offering advice and monitoring the actions of management based on their extensive experience and expert knowledge.

From the perspective of enhancing the soundness, transparency, and efficiency of management, based on the current corporate auditor system outlined above, JR-West considers it appropriate to put in place a system for management decision making and operational execution as well as oversight and supervision.

To establish corporate ethics, the Company institutes its code of conduct and code of ethics, makes its officers comply with these codes and exercise the initiative in materializing the "Corporate Philosophy," and generates a sense of common values that will constitute the basis of honest and fair business behavior. The Company establishes a "Corporate Ethics Committee" with outsiders as its members as an advisory organ of its Board of Directors, which shall deliberate on and evaluate important matters for the establishment of corporate ethics and submit necessary recommendations and reports to the Board of Directors. The Company also establishes a system to accept consultations as to questionable acts from the perspective of law or corporate ethics through contacts with the "Ethics Office" of the Company and outside attorneys and improves its whistle-blowing system.

The directors and executive officers submit "Letters of Confirmation of Execution of Duties," which state that they have committed no misdeed or material violation of laws or rules in connection with the execution of their duties, at the close of each fiscal year.

In principle, the Board of Directors meets once a month. In addition to receiving timely and appropriate reports on such matters as the status of the execution of business operations and corporate ethics, the Board of Directors deliberates on important management matters and carries out expeditious decision making. The board also undertakes mutual oversight of the execution of duties.

To strengthen the Board of Directors' oversight and supervisory functions, of the 14 directors the Company appoints, five are external directors, whose specialized role focuses on oversight and supervision. Furthermore, one of the external directors is selected as the chairman of the Board of Directors. The Company is working to reinforce the system for conveying information to the external directors through such measures as increasing the opportunities for briefing the external directors on the status of operational execution.

Further, the Company has established the Management Committee, comprised of members including representative directors and executive officers mainly in the head office, to discuss items fundamental to the execution of business duties. In principle, the Management Committee convenes weekly. In addition, by delegating authority to the executive officers, the Company aims to expedite decision making. Furthermore, by unifying the highest responsibility for the execution of business operations on the office of president, the Company executes business operations rapidly.

In accordance with the selection procedures for directors, president proposes the candidates for director to be recommended to the General Shareholders' Meeting to the Board of Directors, which makes decisions on the candidates through a resolution. The Company has abolished the directors' bonus system and director compensation has been unified as a system of monthly compensation. With the aim of enhancing the objectivity and transparency of director compensation, the Company has established the Compensation Advisory Committee, which comprises at least three directors, the majority of whom are external directors. The Compensation Advisory Committee deliberates on director compensation from the perspective of objectivity and fairness and makes recommendations to the Board of Directors based on these deliberations.

STATUS OF THE INTERNAL CONTROL SYSTEM (INCLUDING THE RISK MANAGEMENT SYSTEM)

Pursuant to the Corporation Law of Japan, the Board of Directors formally approves the Company's fundamental stance regarding the internal control system and the status of this system. An overview of this system is as follows.

(1) Systems to ensure directors and employees observe laws and regulations and the Company's articles of incorporation when executing their duties

To establish corporate ethics, the Company institutes its code of conduct and code of ethics in accordance with its "Corporate Philosophy" and generates a sense of common values that will constitute the basis of honest and fair business behavior by encouraging its officers to comply with these codes and exercise the initiative in materializing the "Corporate Philosophy." The Company establishes a "Corporate Ethics Committee" with outsiders as its members as an advisory organ of its Board of Directors, which deliberate on and evaluate important matters for the establishment of corporate ethics and submit necessary recommendations and reports to the Board of Directors. The Company also accepts consultations as to questionable acts from the perspective of law or corporate ethics through the "Ethics Office" of the Company and outside attorneys and improves its whistle-blowing system.

The Board of Directors of the Company meets once every month, in principle, to deliberate on important matters for management, report the development of execution of business and matters concerning corporate ethics on a timely and appropriate manner and monitor the execution by the directors of their duties mutually. The Company makes a clear distinction between directors who engage exclusively in monitoring and supervision and directors execute business (concurrently serving as executive officers) as well, have two or more external directors, appoint the "Chairman," who shall act as chairman of the Board of Directors from among the external directors, and improve its information provision system to the external directors to strengthen its functions of monitoring and supervision of corporate management. In addition, the Company clarifies the criteria for selection of directors and executive officers to ensure objectivity and transparency.

With regard to the execution by the directors and employees of their duties, the Company utilizes mechanisms of mutual supervision, such as a system of collective decision making. Also, it establishes various committees from time to time to ensure duties are executed transparently. In addition, the Inquiry & Auditing Department, responsible for internal audits, audit business of the Company in general from the perspectives of compliance with laws or ordinances and regulations.

Furthermore, for the purpose of the establishment of systems to evaluate and audit internal control over financial reporting, the Company shall maintain and improve internal control over financial reporting through the evaluation of the effectiveness thereof by the department responsible for internal audits to ensure the correctness and credibility of financial reporting.

The directors and executive officers submit "Letters of Confirmation of Execution of Duties," which state that they have committed no misdeed or material violation of laws or rules in connection with the execution of their duties, at the close of each fiscal year.

Through these measures, the Company endeavors to improve its systems to ensure compliance with law and establish corporate ethics in its business operations in general.

(2) Systems to store and manage information relating to the directors' execution of their duties

In accordance with laws and regulations and the Company's document-management policies, each department in the Company appropriately prepares, stores, and manages information relating to the directors' execution of their duties, and when necessary makes this information available for inspection by directors or corporate auditors.

(3) Regulations for management of the risk of loss and related systems

On April 25, 2005, JR-West caused an extremely serious accident when one of its trains derailed between Tsukaguchi and Amagasaki Stations on the Fukuchiyama Line, resulting in 106 fatalities and more than 500 injuries among passengers. Solemnly accepting responsibility, the Company resolved that such an accident would never again occur. In accordance with its Corporate Philosophy and Safety Charter, JR-West has set "to establish a corporate culture that places top priority on safety" as its most important management objective and has been striving to realize this objective.

In June 2007, a report on the Fukuchiyama Line accident released by the Aircraft and Railway Accidents Investigation Commission made various remarks, including "proposals" and "opinions." The Company quickly acted in response to the report's recommendations and has been steadily implementing improvement measures. Additionally, the Company formulated the Basic Safety Plan in April 2008 based on advice provided by the Advisory Panel for Safety Promotion on improving safety measures, toward the goal of realizing higher levels of safety. Also, the Company has worked to entrench a safety management-oriented mindset based on the Railway Safety Management Manual, which it formulated in response to the October 2006 revision to the Railway Business Act. In addition, the Company president serves as the Chairman of the Risk Management Committee. The committee identifies risks and critical events that could have a substantial impact on the Company's management, prepares related manuals, and discusses and decides upon important response measures. The committee also quickly constructs rapid first-response systems for a major crisis, strives to implement appropriate countermeasures, and inspects and evaluates risk management frameworks and systems.

Through these measures, the Company is working to maintain and improve systems to achieve appropriate risk management for all Company business activities.

(4) Systems to ensure that directors execute their duties efficiently

Based on the plan for all business activities defined by the Board of Directors at the start of each fiscal year, the directors responsible for each department appropriately carry out the duties necessary to implement the policies of their departments in accordance with their administrative authority and rules for decision making determined by regulations relating to Company organizations and the execution of Company duties. Further, the Management Committee, comprised of members including representative directors and executive officers mainly in the head office, in principle convenes weekly to discuss items fundamental to the execution of business duties. In addition, the Company has introduced the executive officer system, under which authority is delegated to the executive officers to strengthen the oversight and supervisory functions of the Board of Directors and enhance the speed of decision making.

(5) Systems to ensure the appropriateness of operations in the corporate group

Based on deliberations by the Corporate Ethics Committee, the Company formulates policies relating to measures aimed at building Groupwide corporate ethics. The Risk Management Committee determines fundamental matters related to Group-wide risk management. Based on policies and stipulations, each subsidiary establishes committees and regulations to construct systems to establish a Group wide corporate ethics system and carry out appropriate risk management. Furthermore, the whistle-blowing system may be utilized for consultations related to Group companies through internal and external consultation services established by the Company.

The Company works to ensure that the appropriateness and the effectiveness of Group management are preserved. It maintains systems so that Group companies can discuss important management items with the Company prior to decisions being made. In addition, the Company's executives serve as directors and corporate auditors at important Group companies. Further, when required, the Company will confirm that Group companies are observing relevant laws and regulations in their business management through internal audits.

"Evaluation of Internal Controls for Financial Reporting" is carried out as a Group wide measure because consolidated operations are the subject of these evaluations.

(6) Matters relating to those employees who provide assistance to corporate auditors and the independence of those employees from directors

The Company appoints corporate auditor staff to provide full-time support to the corporate auditors as they carry out their auditing duties. The staff carries out its duties in accordance with the instructions of the corporate auditor.

Further, decisions on staff redeployment or evaluation are made while giving full consideration to the opinions of the corporate auditors.

(7) Systems for directors and employees to report to corporate auditors and other systems regarding reporting to corporate auditors

Directors, executive officers, and employees immediately report to the corporate auditors or the Board of Corporate Auditors on serious accidents, behavior that violates laws and regulations or the Company's articles of incorporation, or if they discover a situation that might result in the Company incurring significant damage. Furthermore, corporate auditors receive regular reports and additional reports as needed on the status of internal audits, details of reporting to the Ethics Office, details of the activities of the special deputies to the president, details of the activities of each department and the issues they face, and any other items as requested by corporate auditors or the Board of Corporate Auditors.

(8) Other systems to ensure that the corporate auditors carry out their audits effectively

To ensure the effectiveness of the audits carried out by corporate auditors, directors and other executives maintain systems for corporate auditors to attend important meetings; to inspect important documents, including documents related to decisions; to cooperate with the internal audit department and accounting auditors; to regularly exchange opinions with representative directors and other executives; and other systems necessary for the corporate auditors to carry out their audit activities effectively.

Further, the Company works to coordinate the activities of departments that have jurisdiction over offices in the Company and to ensure that surveys in other locations are conducted effectively and efficiently.

STATUS OF AUDITS BY THE CORPORATE AUDITORS, INTERNAL AUDITS, AND ACCOUNTING AUDITS

In accordance with the auditing policies and audit plan prepared by the Board of Corporate Auditors, corporate auditors attend meetings of the Board of Directors and other important meetings, and conduct auditing visits of branch offices and worksites. They also hold individual hearings with directors on matters considered necessary, audit the conduct of business by directors, and provide necessary advice and recommendations. Corporate auditors also request business reports from subsidiaries and other affiliates, and investigate their business and/or finances as necessary. The Board of Corporate Auditors meets regularly to hear reports on significant matters pertaining to audits as well as to deliberate and make decisions. With regard to the support system provided for the corporate auditors, including the external corporate auditors, the Company has expanded and strengthened the corporate auditor staff, whose duty is to provide full-time assistance to the corporate auditors. The staff carry out their duties in accordance with the instructions of the corporate auditors.

With regard to internal audits, the Inquiry & Auditing Department, which is tasked with internal auditing functions, comprises approximately 30 staff, including five support staff for the corporate auditors. Through this structure, the Inquiry & Auditing Department conducts audits covering the Company's overall business operations, from the perspective of compliance with relevant laws and internal regulations and the adequacy of business operation management, including evaluation of internal controls relating to financial reporting.

Further, the corporate auditors and the Inquiry & Auditing Department, which is responsible for internal audits, conduct regular exchanges of opinion and receive timely reports on each other's respective audit plans, methodology, and results, as well as other measures to maintain close mutual cooperation. At the same time, the corporate auditors and the Inquiry & Auditing Department strive to ensure efficient and effective auditing as well as the accuracy and reliability of financial reporting.

With regard to independent accounting audits, the Company has entered into an audit agreement with Ernst & Young ShinNihon LLC, which carries out appropriate audits that are conducted by an audit team comprising four partners, eight other certified public accountants (CPAs), 13 associate accountants, and five other support staff. These audits are conducted in accordance with auditing standards generally accepted in Japan. In addition, the audits conducted by the corporate auditors, the Inquiry & Auditing Department, and the accounting auditors involve close mutual cooperation and the ongoing exchange of information regarding each other's respective audit plans, methodology, and results, to facilitate efficient and effective auditing.

THE FUNCTIONS AND ROLES OF THE EXTERNAL DIRECTORS AND EXTERNAL CORPORATE AUDITORS AND PERSONAL, EQUITY, BUSINESS, AND OTHER RELATIONSHIPS WITH THE COMPANY

JR-West adopts the structure of a Company with Auditors as its corporate governance system. Specifically, by subjecting the execution of duties by the directors to appropriate auditing by each of the corporate auditors, including three external corporate auditors, JR-West ensures the transparency and fairness of its management. Further, five of the 14 directors are external directors, whose role is focused on oversight and supervision. In addition to participating in decision making as members of the Board of Directors, the external directors work to further strengthen the oversight and supervisory functions of the Board of Directors through offering advice and monitoring the actions of management based on their extensive experience and expert knowledge.

Based on the fact that there is very little likelihood of a conflict of interest arising between the five external directors and ordinary shareholders—none of the external directors has previously held a position at any companies with which JR-West has a significant business relationship or which are major shareholders of JR-West—the Company judges that the external directors are able to maintain a sufficient level of independence. The Company believes that the external directors are able to provide management oversight from an independent position.

Based on the fact that there is very little likelihood of a conflict of interest arising between the three external corporate auditors and ordinary shareholders—none of the external corporate auditors has previously held a position at any companies with which JR-West has a significant business relationship or which are major shareholders of JR-West—the Company judges that the external corporate auditors are able to maintain a sufficient level of independence. The Company believes that the external corporate auditors are able to audit the execution of duties of the directors from an independent position.

DIRECTOR COMPENSATION, ETC.

(1) Total compensation amount by officer classification, total compensation amount by type of compensation, and number of recipient officers

Officer classification	Total compensation amount (Millions of yen)	Total compensation amount by type of compensation (Millions of yen)				Number of recipient officers
		Basic compensation	Stock options	Bonus	Retirement bonus	
Directors (excluding external directors)	¥283	¥283	—	—	—	9
Corporate auditors (excluding external corporate auditors)	¥ 27	¥ 27	—	—	—	1
External directors and external corporate auditors	¥ 90	¥ 90	—	—	—	8

(2) Total compensation amounts for individual officers

No disclosure is made owing to the fact that no individual officer received total compensation of ¥100 million or higher.

(3) Policy for determining the amount of director compensation, etc.

With regard to compensation for directors and corporate auditors, the Company has abolished the directors' bonus system and the directors' retirement bonus system, and has instead implemented a unified system of monthly compensation.

The directors' monthly compensation comprises "basic remuneration" and "performance-evaluation remuneration," the latter of which is determined using such factors as business operating results during the previous fiscal year as a guide. The level of compensation takes into account compensation levels at other companies, with such information drawn from specialist external organizations, to ensure an appropriate level of compensation.

In addition, with the aim of enhancing the objectivity and transparency of director compensation, the Company has established the Compensation Advisory Committee, which comprises at least three directors, the majority of whom are external directors. The Compensation Advisory Committee deliberates on director compensation from the perspective of objectivity and fairness and makes recommendations to the Board of Directors based on these deliberations.

Corporate auditor compensation comprises only "basic remuneration," and the level of compensation takes into account compensation levels at other companies, with such information drawn from external special organizations, to ensure an appropriate level of compensation.

The compensation for each individual director is determined by a resolution of the Board of Directors, and the compensation for each individual corporate auditor is determined through consultations among the corporate auditors. The totals of these compensation amounts are determined within the total compensation amounts for all directors and all corporate auditors approved by a resolution of the General Shareholders' Meeting.

STATUS OF STOCK HOLDINGS

(1) Investments in stocks for which the holding purpose is other than pure investment

Number of companies: 42

Total carrying amount on the balance sheet: ¥9,848 million

(2) Holdings of investments in stocks for which the holding purpose is other than pure investment

Company	Number of shares	Amount on the balance sheet (Millions of yen)	Holding purpose
The Sumitomo Trust and Banking Co., Ltd.	2,947,000	¥1,614	To maintain a good relationship, and facilitate smooth business operations
Mitsubishi UFJ Financial Group, Inc.	2,921,500	¥1,431	
Sumitomo Mitsui Financial Group, Inc.	408,340	¥1,261	
Japan Tobacco Inc.	3,050	¥1,061	
Electric Power Development Co., Ltd.*	192,840	¥ 593	
Isetan Mitsukoshi Holdings Ltd.*	500,000	¥ 502	
Resona Holdings, Inc.*	299,300	¥ 353	
Chuo Mitsui Trust Holdings, Inc.*	943,500	¥ 331	
Mizuho Financial Group, Inc.*	1,647,450	¥ 304	
Mizuho Trust & Banking Co., Ltd.*	2,467,000	¥ 231	

* Although the amounts presented on the balance sheet for these holdings do not exceed one-hundredth of the Company's common stock, the ten largest holdings are presented in the table.

(3) Stocks for which the holding purpose is purely investment purposes

There are no applicable items.

NUMBER OF DIRECTORS

The Company's Articles of Incorporation stipulates that the number of directors shall be 40 or less.

REQUIREMENTS RELATING TO RESOLUTIONS FOR THE APPOINTMENT OF DIRECTORS

The conditions stipulated by JR-West's Articles of Incorporation for resolutions are a quorum of shareholders with one-third or more voting rights and the approval of the resolution by shareholders with more than half of those voting rights. Further, the Company's Articles of Incorporation stipulates that resolutions for the appointment of directors shall not be conducted using cumulative voting.

RESOLUTIONS TO BE DECIDED BY THE GENERAL MEETING OF SHAREHOLDERS THAT MAY BE RESOLVED BY THE BOARD OF DIRECTORS

(1) Acquisition of treasury stock

With regard to the acquisition of treasury stock, to facilitate expeditious management decisions, pursuant to Article 165, paragraph 2, of the Corporation Law of Japan, the Company's Articles of Incorporation stipulates that the Company may acquire its own shares through market transactions, etc., based on a resolution of the Board of Directors.

(2) Interim dividend

To expand the opportunities for shareholder return, pursuant to Article 454, paragraph 5, of the Corporation Law of Japan, the Company's Articles of Incorporation stipulates that the Company may pay an interim dividend based on a resolution of the Board of Directors.

CONDITIONS FOR SPECIAL RESOLUTIONS OF THE GENERAL MEETING OF SHAREHOLDERS

The conditions stipulated by JR-West's Articles of Incorporation for resolutions based on article 309, paragraph 2, of the Corporation Law of Japan are a quorum of shareholders with one-third or more voting rights and the approval of the resolution by shareholders with two-thirds or more of those voting rights. These conditions are designed to promote the smooth and efficient functioning of the General Shareholders' Meetings by relaxing the quorum required for special resolutions of the General Shareholders' Meeting.

Board of Directors and Corporate Auditors

As of June 23, 2010

Board of Directors

Chairman of the Board of Directors

Noritaka Kurauchi[1]
Advisor, Sumitomo Electric Industries, Ltd.

Directors

Satoru Sone[1]
Guest Professor of Extension Center,
Kogakuin University

Tadashi Ishikawa[1]
Partner, Oh-Ebashi LPC & Partners

Yumiko Sato[1]
Senior Research Fellow, Suntory Foundation

Yuzo Murayama[1]
Professor and Dean of Business Institution,
Graduate School, Doshisha University

Director, President, and Executive Officer

Takayuki Sasaki[2]

Directors, Vice Presidents, and Executive Officers

Naoki Nishikawa[2]

Seiji Manabe[2]

Directors and Senior Managing Executive Officers

Takashi Kondo
Akiyoshi Yamamoto

Directors and Senior Executive Officers

Kenji Nanakawa
Hitoshi Nakamura
Tatsuo Kijima
Makoto Shibata

Corporate Auditors

Noboru Koide[3]
Tsutomu Iwasaki[3,4]
Kazuo Yoshida[4]
Professor of Graduate School of
Economics and Faculty of Economics,
Kyoto University

Ikuo Uno[4]
Chairman, Nippon Life Insurance Company

1 External Director 2 Representative Director 3 Full-Time Auditor 4 External Auditor

Executive Officers

As of June 23, 2010

President, Representative Director, and Executive Officer

Takayuki Sasaki

Vice Presidents, Representative Directors, and Executive Officers

Naoki Nishikawa
Senior General Manager of Railway Operations Headquarters

Seiji Manabe

Directors and Senior Managing Executive Officers

Takashi Kondo
Senior General Manager of Business Development Headquarters

Akiyoshi Yamamoto
General Manager of Osaka Branch

Directors and Senior Executive Officers

Kenji Nanakawa
General Manager of Deliberation Department of the Derailment Accident on the Fukuchiyama Line / Deputy Senior General Manager of Railway Operations Headquarters

Hitoshi Nakamura
Senior General Manager of Supporting Headquarters for the Victims of the Derailment Accident on the Fukuchiyama Line

Tatsuo Kijima
Senior General Manager of Corporate Planning Headquarters / Senior General Manager of Tokyo Headquarters

Makoto Shibata
Senior General Manager of IT Development Headquarters / Deputy Senior General Manager of Railway Operations Headquarters / Senior General Manager of Marketing Division, Railway Operations Headquarters

Senior Executive Officers

Kenji Shiratori
General Manager of Safety Research Institute

Michio Utsunomiya
General Manager of Transport Safety Department, Railway Operations Headquarters

Teruaki Akahoshi
General Manager of Construction Department

Tatsuya Mano
General Manager of Shinkansen Supervising Department, Railway Operations Headquarters / General Manager of Shinkansen Management Division

Yoshinori Tsujiko
General Manager of Corporate Communications Department

Executive Officers

Masaru Kawakami
General Manager of Kobe Branch

Fumio Hosono
General Manager of Electrical Engineering Department, Railway Operations Headquarters

Shigeki Kitazono
Deputy Senior General Manager of Business Development Headquarters

Yasuki Nishioka
General Manager of Shin-Osaka General Control Center

Tetsuhisa Shima
Deputy General Manager of Shinkansen Management Division / General Manager of Fukuoka Branch, Shinkansen Management Division

Katsunori Matsuura
General Manager of Finance Department

Akihiro Horisaka
General Manager of General Affairs Department

Kazuaki Hasegawa
General Manager of Okayama Branch

Masashi Nonaka
Deputy Senior General Manager of Tokyo Headquarters

Takao Okubo
General Manager of Fukuchiyama Branch

Kouhei Ogino
General Manager of Kanazawa Branch

Osamu Ishimoto
General Manager of Yonago Branch

Takaiki Ikoma
General Manager of Transport Department, Railway Operations Headquarters

Shoji Kurasaka
General Manager of Personnel Department

Fumito Ogata
General Manager of Corporate Ethics & Risk Management Department

Taizou Mori
Deputy Senior General Manager of Supporting Headquarters for the Victims of the Derailment Accident on the Fukuchiyama Line

Takayuki Sugiki
General Manager of Hiroshima Branch

Nobutoshi Nikaido
General Manager of Kyoto Branch

Masato Yamaguchi
Deputy Senior General Manager of Business Development Headquarters

Atsushi Sugioka
Deputy Senior General Manager of Corporate Planning Headquarters

Katsumi Imai
General Manager of Wakayama Branch

Technical Directors

Yoshifumi Matsuda
General Manager of Structural Engineering Office

Norihiko Yoshie
General Manager of Technical Research and Development Department, Railway Operations Headquarters

Organizational Structure

As of July 1, 2010

- Board of Corporate Auditors
  - Corporate Auditors
- Board of Directors
  - President
    - Supporting Headquarters for the Victims of the Derailment Accident on the Fukuchiyama Line
      - Consultation Office of the Derailment Accident on the Fukuchiyama Line
    - Deliberation Department of the Derailment Accident on the Fukuchiyama Line
    - Corporate Ethics & Risk Management Department
      - Ethics Office
    - Corporate Planning Headquarters
      - CSR Office
      - Group Management Planning Office
    - IT Development Headquarters
    - Secretary Office
    - General Affairs Department
      - Human Rights Office
      - Legal Office
    - Corporate Communications Department
    - Inquiry & Auditing Department
    - Personnel Department
      - Staff Training Center
      - Osaka Railway Hospital
      - Health Promotion Center
    - Finance Department
    - Tokyo Headquarters
    - Railway Operations Headquarters
      - Transport Safety Department
      - Transport Security Systems Office
      - Marketing Division
        - Customer Service Department
          - JR-West Customer Center
        - Tokyo Marketing Department
        - Kyushu Marketing Department
      - Technical Research and Development Department
        - GCT Test Operations Center
      - Shinkansen Supervising Department
      - Station Operations Department
      - Transport Department
      - Rolling Stock Department
        - Rolling Stock Design Office
      - Track & Structures Department
      - Electrical Engineering Department
      - Shin-Osaka General Control Center
    - Safety Research Institute
    - Structural Engineering Office
    - Construction Department
    - Business Development Headquarters
    - Shinkansen Management Division
      - Tokyo Control Center
      - Fukuoka Branch
    - Osaka Construction Office
    - Osaka Electric Construction Office
    - Kanazawa Branch
    - Kyoto Branch
    - Osaka Branch
    - Wakayama Branch
    - Kobe Branch
    - Fukuchiyama Branch
    - Okayama Branch
    - Yonago Branch
    - Hiroshima Branch

FINANCIAL SECTION

Management's Discussion and Analysis of Operations

Consolidated Basis

RESULTS OF OPERATIONS

In fiscal 2010, ended March 31, 2010, operating revenues declined 6.7% year on year, to ¥1,190.1 billion, marking the second consecutive year of decline. In the Transportation Operations segment, although we continued to implement measures to increase convenience, including timetable revisions and the promotion of the Express Reservation system, a range of factors contributed to reduced usage of both Shinkansen and conventional lines and consequently a fall in operating revenues for the segment. Such factors included a slowdown in the domestic economy, a substantial reduction in expressway tolls, and the impact of the spread of a new influenza virus. Operating revenues decreased in the Sales of Goods and Food Services segment, the Real Estate Business segment, and the Other Businesses segment.

Despite the Group's efforts to reduce operating expenses, the impact of lower operating revenues led to a 37.5% decrease in operating income, to ¥76.5 billion, marking a second consecutive year of decline.

Although interest expense decreased, recurring profit declined 49.3%, to ¥48.1 billion, falling for the second year in a row. Net financial expenses improved 1.0%, to ¥33.6 billion.

Net income declined 54.4%, to ¥24.8 billion, marking the second consecutive year of decrease. Factors contributing to this decline included the recognition of loss on impairment of fixed assets at subsidiaries and the booking of expenses related to earthquake resistance reinforcement works.

FACTORS AFFECTING RESULTS OF OPERATIONS

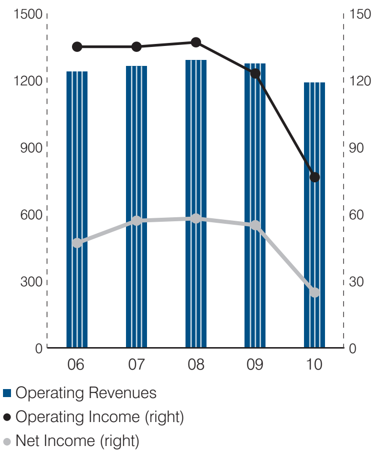
Revenues

The Transportation Operations segment's operating revenues are derived mainly from railway transportation. Revenue from railway transportation depends mainly on the number of passengers, and consequently is affected by numerous factors including competition from other modes of transportation, such as airlines, competition from rival railway companies, economic conditions, and the falling birthrate and aging population. Revenue from the Sanyo Shinkansen Line is mainly affected by the number of business and leisure passengers using the line. Such factors as the state of the economy and competition with domestic airlines may affect the number of such passengers. A large proportion of revenues from JR-West's Urban Network are derived from passengers commuting to and from work or school. Hence, these revenues are relatively unaffected by the economic cycle. However, the Group anticipates an impact on these revenues from demographic changes, including the declining birthrate, an aging population, and urbanization. Within JR-West's Other Conventional Lines, revenue from passengers traveling between cities is affected by such factors as the economic cycle and competition with intercity bus services and private automobiles. Revenue from local lines is affected by such factors as competition with private automobiles, local economic conditions, and demographic trends.

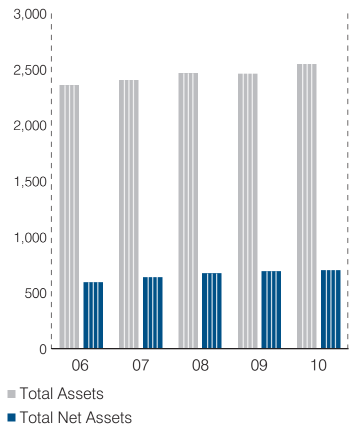
The Sales of Goods and Food Services segment's revenues primarily consist of income from department store businesses, merchandise sales, and restaurant operations. Revenue in this segment is influenced by economic conditions, and competition from other department stores, retailers, and restaurants. Because businesses in this segment are operated at many stations and in the surrounding areas, the number of passengers also has an impact. However, because the number of people using stations remains relatively stable, there is less of an impact from such factors on revenue in this segment compared to other companies in the same industry. The number of new store openings and store closings also has an effect.

The Real Estate Business segment's revenues are derived mainly from leasing income from facilities in and around stations. Although this segment is affected by economic conditions, the impact is less than that for competitors, as stations enjoy relatively stable traffic, and as a result tenants prefer offices that are conveniently located either on station premises or in the surrounding areas. The Group's

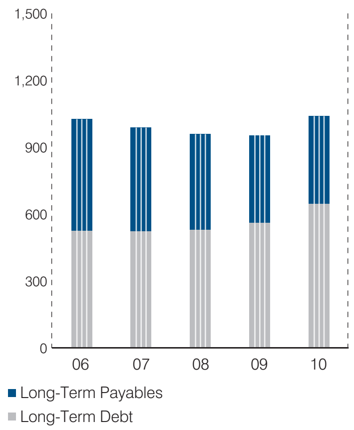
OPERATING RESULTS
Billions of yen



TOTAL ASSETS AND TOTAL NET ASSETS
Billions of yen



LONG-TERM DEBT AND PAYABLES
Billions of yen



Note: Long-term debt and payables includes the current portion of long-term debt and long-term payables.

real estate leasing contracts mainly comprise fixed-rental leases and leases that specify a percentage of the tenant's sales as the rent fee. Consequently, revenues in the Real Estate Business segment are affected by fluctuations in tenant sales. Attracting popular stores to become tenants is necessary not only to bolster percentage-of-sales revenues but is also crucial for increasing the customer drawing power of the Group's stations and shopping centers. The refurbishment and renewal of stores is also a key factor in improving customer drawing power.

The Other Businesses segment's revenues primarily consist of income from hotel and travel agency operations. Hotel revenue is affected mainly by economic conditions, room rates, and competition from other hotels. Travel agency revenue is affected mainly by competition from other agents, as well as anything that deters travel, such as adverse economic conditions or terrorist attacks.

Expenses

Personnel costs declined ¥3.3 billion compared with the previous fiscal year, to ¥265.2 billion. This result reflected the Group's efforts to reduce costs through an overhaul of its operational system.

In the area of non-personnel costs, the characteristics of railway operations include (i) the ownership of a large amount of plant and equipment and a high ratio of costs related to their maintenance, which is necessary to ensure safety; and (ii) a high proportion of fixed costs, which are not linked to revenues. For these reasons, the JR-West Group is working to achieve structural reductions of costs related to maintenance through the introduction of rolling stock and equipment that is easily maintained, mechanization, and the improvement of existing infrastructure, while placing the highest priority on ensuring safety. However, we have also continued to implement safety improvement measures in response to the serious accident that occurred when a train derailed on the Fukuchiyama Line between Tsukaguchi and Amagasaki Stations. As a result, for the enhancement of safety, we anticipate that the Group will need to incur a certain level of costs.

JR-West leases the JR Tozai Line from Kansai Rapid Railway Co., Ltd. Since April 1, 2004, annual rail usage charges have been renegotiated every three years, and determined in consideration of interest rate fluctuations and other factors. As a result, expenses paid amounted to approximately ¥16.6 billion in the fiscal year under review.

Among other expenses, interest expense is a major factor. In the fiscal year under review, the JR-West Group's total interest expense declined ¥0.2 billion, to ¥34.3 billion. This decrease was attributable to an improvement in the interest rate payable on Group debt through the redemption of relatively high-interest Shinkansen debt and the procurement of funds at low interest rates.

LIQUIDITY AND CAPITAL SOURCES

Cash Flows

Net cash provided by operating activities decreased ¥17.5 billion, to ¥161.3 billion. This result principally reflected a decrease in income before income taxes and minority interests.

Net cash used in investing activities increased ¥36.1 billion, to ¥208.7 billion. This increase was mainly attributable to higher purchases of property, plant and equipment.

Net cash provided by financing activities amounted to ¥54.6 billion. The most significant change was an increase in proceeds from issuance of bonds.

As a result, cash and cash equivalents as of March 31, 2010 increased ¥9.9 billion from the end of the previous fiscal year, to ¥51.0 billion.

Capital Demand and Capital Expenditures

JR-West made capital expenditures totaling ¥246.3 billion in fiscal 2010, of which the Transportation Operations segment accounted for ¥198.3 billion, the Sales of Goods and Food Services segment ¥4.2 billion, the Real Estate Business segment ¥37.5 billion, and the Other Businesses segment ¥6.1 billion. Capital investment in the Transportation Operations segment was mainly for railroad infrastructure centered on safety enhancements and purchases of new rolling stock.

The Group's capital expenditures in the Sales of Goods and Food Services, Real Estate Business, and Other Businesses segments were mainly for construction of new facilities and renovation of aged facilities. The Group has already announced its plans to renovate Osaka Station and develop the New North Building, as well as its plan to expand the ACTY Osaka building. The JR-West Group anticipates capital expenditures for these projects to be approximately ¥210 billion at this point, with completion scheduled in spring 2011.

Further, in response to the serious accident that occurred on the Fukuchiyama Line between Tsukaguchi and Amagasaki Stations, JR-West is implementing various safety improvement measures, including installing operational safety equipment and other infrastructure-based initiatives necessary to further enhance safety, and is considering a range of other measures to bolster safety.

Liquidity and Financing

The JR-West Group receives substantial amounts of cash on a daily basis mainly from the Transportation Operations segment, ensuring a sufficient level of cash flow. At the same time, however, we recognize that improving financial efficiency is very important in terms of business management. As part of our efforts in this area, in October 2002 we introduced a cash management service (CMS), ensuring effective utilization of Group funds.

In terms of financing, JR-West typically procures funds required for repayment of existing debt, capital expenditures, or other expenses in an amount not covered by the Group's cash flows. Financing methods, including corporate bonds and long-term bank loans, are determined through a comprehensive consideration of market trends, interest rates, and other factors. For short-term financing, we raise necessary capital mainly through short-term bonds.

We have further concluded commitment line contracts allowing use of funds in accordance with prescribed conditions, such as in the event of a major earthquake.

Operational and Other Risk Information

The following are issues related to operational and accounting matters that may have a significant bearing on the decisions of investors. Forward-looking statements in the following section are based on the assessments of JR-West as of June 24, 2010. Further, the following is a translation of the business risks included in a document the Company submitted pursuant to Japan's Financial Instruments and Exchange Act.

1 RELATING TO SAFETY

An accident may occur in the Company's railway operations that could seriously impact the lives or damage the personal property of passengers. This may also have a significant impact on the Company's management.

The Company, which engages in railway operations as its core business, considers it the most important management priority to provide reliable and high-quality transportation services that give its customers a sense of safety.

However, on April 25, 2005, an extremely serious accident occurred on the Fukuchiyama Line between Tsukaguchi and Amagasaki Stations. Resolving that such an accident would never again occur, the Company formulated a new Corporate Philosophy, which expresses its vision and its sense of values as a company, and a new Safety Charter, which defines its fundamental safety policies. It has since implemented a series of measures to realize this Corporate Philosophy and Safety Charter. Moreover, the Company has steadily carried out measures in response to the remarks, including "proposals" and "opinions," in the report on the investigation of the railway accident on the Fukuchiyama Line published by the Aircraft and Railway Accidents Investigation Commission in June 2007. In addition, based on the recommendations made by the Safety Promotion Expert Committee established in September 2007, the Company has formulated and been steadily implementing its Basic Safety Plan to run for five years from April 2008. The Company is combining these measures with other safety measures implemented up until the present time to realize higher levels of safety.

It has also been working to create a safety management system based on the Railway Safety Management Manual instituted in accordance with the amended Railway Business Law of Japan implemented in 2006.

2 RELATING TO LEGAL MATTERS IN RAILWAY OPERATIONS

1. The Railway Business Law (1986, Law No. 92)

Under the Railway Business Law, railway operators are required to obtain the permission of the Ministry of Land, Infrastructure, Transport and Tourism (hereinafter the "MLIT") for each type of line and railway business operated (article 3). Railway operators are also required to receive approval from the MLIT for the upper limits of passenger fares and specified surcharges. Subject to prior notification, railway operators can then set or change these fares and surcharges within those upper limits (article 16). Railway operators are also required to give the MLIT advance notice of the elimination or suspension of railway operations. In the case of eliminating operations, the notice must be given at least one year in advance (articles 28 and 28-2).

2. The Law for Partial Amendment of the Law for Passenger Railway Companies and Japan Freight Railway Company (Hereinafter the "Amended JR Law") (2001, Law No. 61)

The amended JR Law enacted on December 1, 2001 (hereinafter, the "date of enactment"), excluded JR-East, JR-Central, and JR-West (the three JR passenger railway companies operating on Japan's main island of Honshu, hereinafter the "JR passenger railway companies in Honshu") from the application of the provisions of the Law for Passenger Railway Companies and Japan Freight Railway Company (hereinafter the "JR Law") (1986, Law No. 88). Specifically, the JR passenger railway companies in Honshu are excluded from the scope of all regulations pertaining to approval of the offering for the purchase of shares and others and approval of long-term borrowings, as defined by the JR Law (article 5); and approval of transfers of important assets (article 8), among others.

According to the amended JR Law's supplementary provisions, the MLIT, based on the details of the restructuring of Japanese National Railways (JNR) and in order to ensure the convenience of passengers and otherwise, shall issue guidelines relating to items that need to be considered for the time being with respect to the management by the JR passenger railway companies in Honshu and any operators that run all or part of their railway business as a result of assignations, mergers, divisions or successions on or after the date of enactment, as designated by the MLIT (hereinafter, "new companies"). The guidelines' stipulations are outlined in the three points below. Those guidelines were issued on November 7, 2001, and applied on December 1, 2001. The MLIT may advise and issue instructions to any new companies to ensure operational management in accordance with those guidelines. Moreover, the amended JR Law enables the MLIT to issue recommendations and directives in the event that its operational management runs counter to the guidelines without any justifiable reason.

• The guidelines' stipulated items:

(a) Items relating to ensuring alliances and cooperation among companies (among new companies or among any new company and Hokkaido Railway Company, Shikoku Railway Company, Kyushu Railway Company and Japan Freight Railway Company) with respect to the establishment of appropriate passenger fares and surcharges, the unhindered utilization of railway facilities, and other factors relating to railway operations among those companies

(b) Items relating to the appropriate maintenance of railway routes currently in operation reflecting trends in transportation demand and other changes in circumstances following the restructuring of JNR and items relating to ensuring the convenience of users through the development of stations and other railway facilities

(c) Items relating to consideration that new companies should give to the avoidance of actions that inappropriately obstruct business activities or unduly hamper the interests of small and medium-sized companies operating businesses within the operational areas of the new companies that are similar to the businesses of the new companies

Also, regarding all bonds issued by the JR passenger railway companies in Honshu prior to the amended JR Law's date of enactment, transitional measures are stipulated, such as the continuance following the date of enactment of the stipulation of general security in article 4 of the JR Law.

3 RELATING TO ESTABLISHMENT OF AND CHANGES TO FARES AND SURCHARGES

1. System and Procedure for Approval of Fares and Surcharges

The Railway Business Law stipulates that railway operators are required to obtain the approval of the MLIT when setting or changing the upper limits of passenger fares and Shinkansen limited express surcharges (hereinafter "fares and surcharges") (Railway Business Law, article 16, item 1).

Subject to prior notification, railway operators can then set or change fares and surcharges within those upper limits, as well as limited express surcharges on conventional lines and other charges (Railway Business Law, article 16, items 3 and 4).

Although passenger railway companies in Honshu, Hokkaido Railway Company, Shikoku Railway Company, and Kyushu Railway Company (hereinafter the "passenger railway companies") can revise fares independently, a system was created among those companies when JNR was restructured to ensure the convenience of users. At present, contracts among those companies enable the realization of total fares and surcharges for passengers and packages requiring services that span two or more such companies. In addition, the passenger railway companies have established a system in which the fares and surcharges per kilometer decrease as distance traveled increases.

2. JR-West's Stance on Fare Revisions

(a) JR-West has not raised fares since its establishment in April 1987, other than to reflect the consumption tax introduction (April 1989) and subsequent revision (April 1997).

Major private sector railway operators apply for fare revisions, if, following a comprehensive management judgment that takes into account the operations of ancillary departments, they anticipate they will record a loss in after-tax net income in its railway operations. In the majority of cases, the revisions are implemented once the above-described procedures have been completed. In the case of the Company, revenues obtained from ancillary departments constitute a small percentage of its total revenues, and based on this it considers the timely implementation of fair revisions to be a necessary measure to secure a fair level of profit.

(b) The Company strives to promote efficient business management to secure profits and to progress measures toward rationalization. However, the Company considers that the fair level of profit should be at a level that enables it to fund dividend payments to its shareholders, future capital investment, and measures to strengthen its financial structure, on the assumption that it makes such efforts.

(c) The Company recognizes the need to independently conduct capital expenditures, which have a substantial impact on the cost structure of its railway operations, based upon its clearly defined management responsibility.

3. Stance of the Ministry of Land, Infrastructure, Transport and Tourism

With respect to the implementation of fare revisions by JR-West, the position of the MLIT is as follows:

(a) The MLIT will approve applications for the revision of the upper limits of fares from railway operators, including JR-West, upon conducting inspections to determine that the fares do not exceed the sum of reasonable costs and fair profits, based on the efficient management of those companies ("total cost") (Railway Business Law, article 16, item 2).

In addition, a three-year period is stipulated for the calculation of costs.

(b) Even if the railway operator has non-railway businesses, the calculation of total cost, which comprises reasonable costs and fair profits, including required dividend payments to its shareholders, is based only on the operator's railway operations. Further, railway operators are required to submit their capital expenditure plans for increasing transportation services to ease congestion of commuter services and for other improvements in passenger services. Upon inspections, the capital cost necessary for such enhancements may be approved for the calculation of total cost.

(c) Total cost is calculated using a "rate base method" that estimates the capital cost (interest payments, dividend payments, and other financial costs) arising from the provision of a fair and appropriate return, based on the opportunity cost concept, to the capital invested in the railway operations. The calculation of total cost is as follows:

total cost = operating cost[1] + operational return

- operational return = assets utilized in railway business operations (rate base) x operational return rate
- assets utilized in railway business operations = railway business operations fixed assets + construction in progress + deferred assets + working capital[2]
- operational return rate = equity ratio[3] x return rate on equity[4] + borrowed capital ratio[3] x return rate on borrowed capital[4]

1 With respect to comparable costs among railway operators, in order to promote enhanced management efficiency, a "yardstick formula" is used to encourage indirect competition among respective operators. The results of those comparisons are issued at the end of every business year and form the basis for the calculation of costs.
2 Working capital = operating costs and certain stores
3 Equity ratio, 30%; Borrowed capital ratio, 70%
4 Return rate on equity is based on the average of yields to subscribers of public and corporate bonds, the overall industrial average return rate on equity and the dividend yield ratio. Return rate on borrowed capital is based on the average actual rate on loans and other liabilities.

(d) Subject to prior notification to the MLIT, railway operators can set or change fares and surcharges or other charges within the upper limits approved. However, the MLIT can issue directives requiring changes in fares and surcharges by specifying the date therefor if the fares and surcharges submitted are deemed to fall within the following categories (Railway Business Law, article 16, item 5):

- The setting or change would lead to unjustifiable discrimination in the treatment of certain passengers.
- There is concern that the setting or change would give rise to unfair competition with other railway operators.

4 RELATING TO PLAN FOR THE DEVELOPMENT OF NEW SHINKANSEN LINES

1. Construction Plans for New Shinkansen Lines

The new Shinkansen lines are the five lines indicated in the plan for the Shinkansen line network that was decided pursuant to the 1970 Nationwide Shinkansen Railway Development Law, namely the Hokuriku Shinkansen Line (Tokyo–Osaka), the Hokkaido Shinkansen Line (Aomori–Sapporo), the Tohoku Shinkansen Line (Morioka–Aomori), the Kyushu Shinkansen Line (the Kagoshima route between Fukuoka–Kagoshima), and the Kyushu Shinkansen Line (the Nagasaki route between Fukuoka–Nagasaki). Of these lines, the Company is the operator of the Joetsu–Osaka segment of the Hokuriku Shinkansen Line.

Construction of the five lines was postponed due to deteriorating management conditions at JNR. However, the development scheme described below was created to solve the financial and other problems after the inauguration of JR companies, and construction has been progressed on a sequential basis. Until the present time, operations have commenced on the Hokuriku Shinkansen Line (between Takasaki–Nagano), the Tohoku Shinkansen Line (between Morioka–Hachinohe), and the Kyushu Shinkansen Line (between Shin-Yatsushiro–Kagoshima-Chuo). Currently, the construction contractor, Japan Railway Construction, Transport and Technology Agency (JRTT), is progressing construction on the following sections of the five lines: the Hokuriku Shinkansen Line (between Nagano–Hakusan car maintenance center and the Fukui Station segment), the Tohoku Shinkansen Line (between Hachinohe–Shin-Aomori), the Hokkaido Shinkansen Line (between Shin-Aomori–Shin-Hakodate), the Kyushu Shinkansen Line (Kagoshima route between Hakata–Shin-Yatsushiro), and the Kyushu Shinkansen Line (Nagasaki route between Takeo Onsen–Isahaya).

Creation of the Development Scheme

- August 1988 (arrangement between the national government and ruling parties)
  Ruling on the start of construction according to a priority sequence and development standards for five segments of three Shinkansen lines
- December 1990 (arrangement between the national government and ruling parties)
  Ruling on a management separation for JR companies of the conventional lines running parallel with the new Shinkansen lines
- December 1996 (agreement between the national government and ruling parties)
  Ruling that cost burden by JR companies would be usage fees and other charges within the range of their expected benefits
- December 2000 (arrangement between the national government and ruling parties)
  Ruling on new segments for start of construction, and reviews of development standards and periods
- December 2004 (arrangement between the national government and ruling parties)
  Ruling on new segments for start of construction, and reviews of development standards and periods
  Details of the December 2004 arrangement between the national government and ruling parties on the Hokuriku Shinkansen Line
  - Between Nagano–Hakusan car maintenance center
    Assuming full development standards and following the completion of required approval procedures, construction was to begin on the segments between Toyama–Isurugi and Kanazawa–Hakusan car maintenance center at the beginning of fiscal 2006, targeting a coordinated completion date of the end of fiscal 2015. However, every effort was to be made to complete construction ahead of schedule.

- Between Hakusan car maintenance center–Nanetsu
  For heightened efficiency, construction on the Fukui Station segment was to take place in coordination with construction for the elevation of the Echizen Railway Line. Following the completion of required approval procedures, construction was to begin at the beginning of fiscal 2006 with a targeted completion date of the end of fiscal 2009.
- Between Nanetsu–Tsuruga
  Following the completion of necessary procedures, there was to be an immediate application for approval for the construction implementation plan.

Construction on the Hokuriku Shinkansen Line within the Company's Area of Operations

- August 1992
  Between Isurugi–Kanazawa (24 km): Construction commenced as a Shinkansen Railway Standard New Line (Super Express)
- April 2001
  Between Joetsu–Toyama (110 km): Construction commenced at full standard. (Prior to this, in September 1993 construction had commenced on the segment between Itoigawa–Shin-Kurobe as a Shinkansen Railway Standard New Line (Super Express), and at this point in time was changed to full standard.)
- April 2005
  Between Toyama–Kanazawa (59 km): Construction commenced at full standard. (Prior to this, in August 1992 construction had commenced on the segment between Isurugi–Kanazawa as a Shinkansen Railway Standard New Line (Super Express), and at this point in time was changed to full standard.)
  Fukui Station segment: Construction commenced
- April 2006
  Hakusan car maintenance center: Construction commenced

2. Cost Burden of the Development of New Shinkansen Lines

Regarding the construction cost for the development of new Shinkansen lines, based on the agreement in December 1996 between the national government and the ruling parties, in 1997 the Nationwide Shinkansen Railway Development Law and related laws were revised to stipulate that "the national government, local governments, and JR passenger railway companies would assume the cost of new Shinkansen lines," and that "the cost burden by JR passenger railway companies which mainly operate on new Shinkansen lines shall be paid out of their usage fees and other charges, with the upper limit to be determined by the range of expected benefits."

Also, those subsidies from the JRTT, of which part of its financial resource is provided by JR-East, JR-Central, and JR-West as payments for the purchase of existing Shinkansen lines, shall be considered to be part of the cost burden borne by the national government.

Following the arrangement made between the national government and the ruling parties in December 2004, it was determined that the cost burden of JR passenger railway companies, which correspond to the expected benefits generated accompanying the opening of the Hokkaido Shinkansen Line (Shin-Aomori–Shin-Hakodate) and the Hokuriku Shinkansen Line (Joetsu–Kanazawa), and other new Shinkansen lines, would be carefully investigated when these segments commenced operations. The Company opposes this ruling as it considers it to lack rationality if the existing Shinkansen operators are required to bear part of the construction costs of new Shinkansen developments on segments on which they do not operate based on the assumption that they receive corresponding external benefits.

Further, following the launch of studies by the national government and ruling parties into methods of securing financing for construction on segments where construction has not yet started, the MLIT has requested the Company to provide it with data to calculate usage fees and other charges prior to the start of operations on these segments. But at the present point in time, the Company has not determined operational plan and fare structure for the services. Moreover, future trends in social and economic conditions and trends among competing modes of transportation cannot be ascertained at the present point in time. Therefore, the Company's response is that it is extremely difficult to objectively and rationally calculate future usage fees at the current time.

3. The Company's Stance on the Hokuriku Shinkansen Line

Based on the December 2004 arrangement between the national government and ruling parties, the construction scheme of the Hokuriku Shinkansen Line was reviewed based on the premise that it would be developed at full standard. Based on this review, construction commenced on the segment as far as the Hakusan car maintenance center and the Fukui Station segment and an application for approval was made for a plan to implement construction on the segment between Nanetsu–Tsuruga.

At the present time, the Company's position is that the Hokuriku Shinkansen Line will be constructed in a westward direction. This is in accordance with the Company's previous contention and it will continue to appeal to the relevant national government organizations for an extension of segments to undergo construction. But even if segments to undergo construction are extended, then the Company considers it essential that the previous fundamental principles, namely that "the burden of the Company shall be within the limit of expected benefits" and of "the management separation from JR-West of its conventional lines running parallel with the new Shinkansen line segments," should be protected.

5 RELATING TO CHANGING POPULATION DYNAMICS, SUCH AS THE DECLINING BIRTHRATE AND AGING POPULATION

According to the "Population Projections for Japan (birth rate medium variant and death rate medium variant estimates)" published by the National Institute of Population and Social Security Research in December 2006, Japan's total population of 127.77 million people in 2005 was set to enter a long standing depopulation process, and by 2046 was projected to fall below 100.00 million people, to 99.38 million people. The working-age population (15 to 64) peaked in 1995, and subsequently entered a depopulation phase. By 2005 it had fallen to 84.42 million people, and by 2030 it is forecast to decrease to 67.40 million people. In contrast, the old-age population (65 and over), which was 25.76 million people in 2005, was projected to increase to 36.67 million people by 2030.

Moreover, according to the "Population Projections for Japan by Prefecture" published by the said institute in May 2007, by 2005 population was decreasing in all regions excluding Minami Kanto, Chubu, and Kinki. The population in Kinki was forecast to decrease between 2005 and 2010, and the population in all regions was forecast to decrease by 2035. Further, the working-age population, and also the percentage of this age group relative to the total population is already declining in every prefecture, while the old-age population will increase until 2020. With the exception of certain prefectures, it is projected to exceed 30% of the population.

The JR-West Group's main area of operations is West Japan, where it operates businesses that include railway, retail, real estate, and hotel operations. Depopulation and the declining birthrate and aging population trends are forecast to continue in this region. If the depopulation, declining birthrate, and aging population processes take place as projected, in the long term, due to a decrease in the number of passengers and customers at the Group's facilities and stores, this may have an effect on the Group's business results.

6 RELATING TO COMPETITION

1. Railway Operations

The railway operations of the JR-West Group compete with the operations of other railway companies, airline companies, and alternative modes of transportation such as buses or automobiles. In addition, its performance is affected by conditions in the Japanese economy, particularly economic trends in its main area of operations, West Japan. Moreover, its railway operations could be impacted by the significant reduction in expressway tolls. Competition trends and economic conditions in the future may have an effect on the Group's financial condition and results of operations.

The Company's Sanyo Shinkansen Line and intercity transportation operations on its conventional lines are primarily in competition with domestic airline companies, buses, and automobiles. In particular, the Company faces extremely severe competition from airline companies due to the heightened convenience of traveling by air as a result of factors such as the opening of new airports, expanded airport capacities, increased number of flights, and lower airfares. The Company has been working to strengthen its competitiveness by improving the convenience for customers. It has enhanced its provision of high-speed transportation services by launching the new N700 Series Shinkansen rolling stock, increasing departures of its Nozomi Shinkansen services, and launching the EX-IC Service on the Sanyo Shinkansen Line. In addition, it has been positively working to provide customers with fundamental information on its services, such as the frequency of departures, the time required for the trip, and ticket prices.

In its Urban Network, the Company competes with other railway operators and with automobiles and buses. It has been promoting increased use of its services by revising timetables in March 2010, increasing the frequency of rapid service trains on the Sagano Line accompanying completion of the construction of a double-tracked line between Kyoto and Sonobe, and launching a new series of rolling stock.

In addition, it has been heightening the convenience for railway passengers by continuing to install barrier-free facilities, including elevators and escalators.

2. Non-Railway Operations

The JR-West Group carries out non-railway operations, principally Sales of Goods and Food Services, Real Estate, and Other Businesses (including hotel business). Non-railway operations are affected by conditions in the Japanese economy, particularly economic trends in the Group's main area of operations, West Japan. Therefore, economic conditions in the future may have an effect on the Group's financial condition and results of operations.

In addition, its non-railway operations are faced with an increasingly severe competitive environment: in Sales of Goods and Food Services, due to the opening of retail stores by competitors in areas surrounding its shops; in Real Estate, due to the entry of new competitors and the upgrade of competitors' commercial facilities in surrounding areas; and in Other Businesses, due to increased competition with existing and new competitors in hotel operations, such as the openings of foreign-affiliated luxury hotels or low-end budget hotels by Japanese companies. These factors may have an effect on the Group's revenues.

However, as the Group develops its operations in the stations and areas surrounding them, it can be considered to possess competitive advantages in terms of advantageous locations.
The Group coordinates its non-railway operations with its railway operations, and at the same time cooperates with local authorities to develop areas in and around stations and to revitalize commercial areas under elevated railway tracks.

The Group has been implementing measures to increase the value of its railway belts by making more effective use of its assets, such as the steady progress being made in the Osaka Station Development Project. In addition, it has been taking positive steps to enhance customer convenience, including expanding affiliated stores for ICOCA electronic money and increasing business tie-ups with other companies.

7 RELATING TO LONG-TERM DEBT AND PAYABLES

On its establishment in 1987 and based on the Japanese National Railways Reform Law (1986, Law No. 87), the Company inherited ¥1,015.8 billion of long-term debt from JNR. Further, on October 1, 1991, based on the Law Relating to the Transfer of Shinkansen Line Railway Facilities (1991, Law No. 45), the Company purchased the Sanyo Shinkansen Line railway facilities (excluding rolling stock) at the cost of ¥974.1 billion from the Shinkansen Holding Corporation. Through contracts with the Shinkansen Holding Corporation, of the transfer value, ¥859.1 billion is to be paid over 25.5 years and ¥114.9 billion over 60 years by half-yearly installment payments of equal amounts of principal and interest to the Railway Development Fund (presently, the Japan Railway Construction, Transport and Technology Agency) and the unpaid balance was to be recorded as long-term payables to the acquisition of railway properties.

While investing in safety and carrying out all other necessary investment, the JR-West Group is aiming to increase management stability by reducing its long-term debt (corporate bonds, long-term debt, and long-term payables to the acquisition of railway properties) and thereby decreasing its interest payments. In fiscal 2010, owing to such factors as the Osaka Station Development Project shifting into full swing, capital expenditures increased. As a result, consolidated long-term debt has entered a temporary upward phase. In fiscal 2011, the Company anticipates a similar increase. Consolidated long-term debt at March 31, 2010, stood at ¥1,038.9 billion (including the current portion thereof), an increase of 9.0% compared with the previous fiscal year-end. Interest payments for the years ended March 31, 2008, 2009, and 2010, were ¥35.4 billion, ¥34.5 billion, and ¥34.3 billion, respectively, thereby maintaining a constant level.

The Group will continue to pay close attention to its levels of long-term debt, payables, and interest payments in order to maintain management stability. However, a reduction in free cash flow due to unforeseen circumstances could affect the JR-West Group's financial condition and results of operations.

8 RELATING TO MAJOR PROJECTS

1. Osaka Higashi Line

a. Details and Current Status

- April 1981
  Approval from Transport Minister based on the Japanese National Railways Law
- April 1987
  Establishment of West Japan Railway Company, which inherited the above-described approval
- May 1996
  In the government budget for fiscal 1997, the project was approved to receive funding identified in "Supplementary Funding for Operational Expenses for the Revitalization of Arterial Railroads"
- November 1996
  Establishment of quasi-public company Osaka Soto-Kanjo Railway Co., Ltd.
- December 1996
  West Japan Railway Company acquired a license for second-type railway operations and Osaka Soto-Kanjo Railway Co., Ltd. for third-type railway operations
- February 1999
  Approval to carry out construction (Miyakojima–Kyuhoji)
- December 2002
  Approval to carry out construction (Shin-Osaka–Miyakojima)
- February 2005
  Approval to extend the deadline to complete construction (Shin-Osaka–Kyuhoji)
- August 2007
  Resolution on the names of the line and stations (5 stations to be opened in the spring of 2008)
- March 2008
  Start of operations between Hanaten–Kyuhoji
- September 2009
  Approval to extend the deadline to complete construction (Shin-Osaka–Hanaten)

b. Outline of the Plan

(a) Main construction contractor: Osaka Soto-Kanjo Railway Co., Ltd. (third-type railway operator)
(b) Main operator: West Japan Railway Company (second-type railway operator)
(c) Planned line: Between Shin-Osaka Station, Tokaido Main Line and Kyuhoji Station, Kansai Main Line
Length: 20.3 km
(d) No. of stations: 13 (including Shin-Osaka and Kyuhoji Stations)
(e) Total construction cost: Approx. ¥120 billion
(f) Planned construction period: Fiscal 1998 to fiscal 2019
(Segment between Hanaten–Kyuhoji completed in fiscal 2008)

c. JR-West's Stance

This line is to reciprocally connect radial railway lines on the outskirts of Osaka by utilizing the Katamachi Line between Hanaten–Yao and Shigino–Suita (commonly known as the Joto freight line), which is currently used as a freight line. The line is expected to contribute to the development of the Kinki region. In addition to contributing to the development of the areas adjacent to the railway line, it will also assist with the redevelopment of the areas to the east of Osaka—such as the Awaji District and the Hanaten/Ryuge District—and in the creation of a multiple-type railway network designed to withstand natural disasters. However, if the plan does not progress as forecast due to various changes in the operating environment or the anticipated benefits may not be obtained, this may have an effect on the Company's financial condition and results of operations.

2. The Osaka Station Development Project

a. Plan Outline

(a) Station renovations

Project implementing body: West Japan Railway Company

Measures: A new station built over the railway tracks to be constructed in the center part of the existing station; renovation of the concourse inside the ticket gates; improved barrier-free facilities; a Dome to be newly constructed

(b) Development of passageways and the square

Project implementing body: West Japan Railway Company

Measures: Development of the passageways and the square within the building directly connecting to the square in front of the station; development of the passageways running north to south through the station and the rooftop plaza

(c) Development of the New North Building

Project implementing bodies: Osaka Terminal Building Company, West Japan Railway Company

Total floor area: Approx. 210,000m^2; excluding planned car parking buildings

Uses: Department store, approx. 90,000m^2; specialty stores, approx. 40,000m^2; offices, etc., approx. 45,000m^2; cinema complex, approx. 10,000m^2; station facilities, etc.

(d) ACTY Osaka Building expansion

Project implementing bodies: Osaka Terminal Building Company, West Japan Railway Company

Total floor area: Approx. 35,000m^2

Uses: Department store, square, etc.

b. Schedule

- May 2004
  Construction of station renovations commenced
- October 2006
  Construction of the New North Building commenced
- May 2008
  Construction of the ACTY Osaka Building expansion commenced
- Spring 2011
  Start of operations of the New North Building and the ACTY Osaka Building expansion; start of use of the renovated passageways, square, and the station built over the railway tracks (planned)

c. Total Project Costs (for all Group companies)

Approx. ¥210 billion[1]

- Osaka Station renovations, New North Building development project: Approx. ¥190 billion
- ACTY Osaka Building expansion: Approx. ¥20 billion

d. JR-West's Stance

The objective of this project is to develop the Osaka Station to a level suitable for its position as the gateway to Osaka City; a pleasant, highly convenient, and lively terminal station. This project will contribute to each of the JR-West's railway operations, real estate business, and other businesses. However, if the project does not progress as forecast due to various changes in the operating environment, this may have an effect on the JR-West Group's financial condition and results of operations.

1 Revised based on various measures, including those to improve safety and for environmental protection

9 RELATING TO COMPUTER SYSTEMS

Computer systems play a vital role in the JR-West Group's operations, and they are utilized not only in its railway operations and for sales of reserved seats, but also in many other areas throughout the Group's operations. Accordingly, if a problem should occur with these computer systems through a human error, a natural disaster, a power failure, a computer virus, or other reasons, it may have an impact on the Group's ability to carry out operations in the area where the problem occurred.

Further, if personal or other information should leak outside of the Group because of a computer virus infection or an erroneous operation of computer systems, it may cause stakeholders to lose trust in the Group, which in turn may have an effect on the Group's financial condition and results of operations.

The Group constantly strives to prevent computer system-related problems or accidents from occurring through regular system inspections, measures to improve system functionality, and employee training. It has also been working to minimize the impact on operations should a problem or accident occur, including the development of a rapid first motion system.

10 RELATING TO NATURAL DISASTERS

It is possible that the JR-West Group's operations or transportation network infrastructure will suffer considerable damage due to a natural disaster, such as an earthquake, typhoon, landslide, or flood; or due to a terrorist attack. In particular, an earthquake has the potential to cause major damage. The Hanshin-Awaji (Kobe) Earthquake that occurred in January 1995 caused substantial damage to the railway network, particularly to the Sanyo Shinkansen Line and Tokaido Main Line.

The possibility that at some point in the future the Company's operations will be adversely affected by a natural disaster or any other event cannot be ruled out. However, aiming to minimize damage in the event a natural disaster or any other event should occur, the Company has introduced earthquake early detection and warning systems onto its Sanyo Shinkansen Line, earthquake emergency news flash systems onto its conventional lines, and carried out measures to reinforce the earthquake resistance of the pillars used to support elevated tracks. The Company has been rapidly implementing earthquake countermeasures that have proven successful in the past in minimizing damage. In addition, under the guidance of the MLIT, it has collaborated with the Railway Technical Research Institute, the Japan Railway Construction, Transport and Technology Agency, and other JR companies operating Shinkansen lines to establish the Shinkansen Derailment Countermeasures Committee. Based on research carried out by the committee, positive steps are being taken to avoid serious damage should an earthquake occur. These include the development of facilities and equipment that will, to the greatest possible extent, minimize the damage that might occur should an earthquake vibration cause a running train to derail.

To implement measures in response to natural disasters and other events, the Company has established a commitment line with financial institutions that enables it to raise capital according to predetermined conditions even if an earthquake should occur. Moreover, it has also acquired damage insurance inclusive of earthquake insurance for its main railway facilities. However, these countermeasures may be unable to entirely compensate for all the damage incurred due to an earthquake or other natural disaster.

11 RELATING TO AN INFECTIOUS DISEASE OUTBREAK AND EPIDEMIC

If a long-term infectious disease epidemic such as Severe Acute Respiratory Syndrome (SARS) that broke out in 2003, or swine influenza should occur in West Japan, it is feared that this would limit economic activities and cause passengers to refrain from taking trips, or even result in trains being unable to run. There is a danger that such an epidemic may temporarily cause the JR-West Group to be unable to continue its operations, particularly its railway operations. Such a situation may have an impact on the Group's results of operations.

While closely collaborating with government organizations and local governments, the Company is investigating ways of continuing operations should an outbreak of an infectious disease occur.

12 RELATING TO COMPLIANCE

The Company, in conducting business activities, is subject to the Corporation Law, the Financial Instruments and Exchange Law, the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade, the Act on the Protection of Personal Information, and other generally applicable laws and ordinances, as well as the Railway Business Law and other laws and ordinances applicable to the relevant business category and the supervision of the relevant regulatory authorities according to the types of business. If the Company contravenes such statutory regulations or is subject to investigations by such regulatory authorities or in some situations, to any sanction, the public's trust of the JR-West Group may be undermined and, moreover, costs may be incurred to take measures to address the situation. Such a situation may have an impact on the Group's results of operations.

On September 28, 2009, with regard to a grave issue concerning compliance that had come up in the process of the investigation of the railway accident on the Fukuchiyama Line by the Aircraft and Railway Accidents Investigation Commission, the Company was ordered by the MLIT to conduct fact-finding inquiries, implement remediation measures, including preventive measures based on the results of such inquiries, and make a report thereof.

On November 18, 2009, the Company submitted to the MLIT the results of the fact-finding inquiries and remediation measures, including preventive measures, obtained from both the Special Committee on Compliance, a body comprised of third-party experts, and its own internal team reporting to the President. The Company has also implemented measures to prevent a recurrence of similar problems and strengthen its compliance system. Specifically, the Company has established the Corporate Ethics & Risk Management Department to integrate its functions to promote compliance and the Corporate Ethics Committee as an advisory body to the Board of Directors. The Company has also established the Ethics Office and the Public Interest Information Office to offer advice and act as contact points regarding compliance issues. In addition, a third-party consultation office has been newly established for the use of JR-West Group officers and employees who wish to discuss compliance-related matters.

13 RELATING TO THE FUKUCHIYAMA LINE TRAIN ACCIDENT

On April 25, 2005, an extremely serious accident occurred on the Fukuchiyama Line between Tsukaguchi and Amagasaki Stations in which 106 passengers lost their lives and more than 500 were injured. Regarding the criminal liability of JR-West personnel for professional negligence resulting in the deaths and injuries in relation to that accident, the Kobe District Public Prosecutors Office indicted the President and Representative Director (at the time of the indictment), Masao Yamazaki, on July 8, 2009. In addition, pursuant to the ruling of the Kobe No. 1 Committee for the Inquest of Prosecution, on April 23, 2010, designated attorneys indicted three former Presidents and Representative Directors of the Company—Masataka Ide, Shojiro Nan-ya, and Takeshi Kakiuchi. The Company is continuing to sincerely listen to the opinions and requests of the victims of the accident and will strive to the utmost of its abilities to respond appropriately to this accident.

The Company will continue to make compensation payments and other payments relating to the accident. At the present point in time, it is difficult to make a rational estimate of what the total amount of these payments will be.

Consolidated Balance Sheets

West Japan Railway Company and its consolidated subsidiaries
As of March 31, 2010, 2009 and 2008

	Millions of yen			Millions of U.S. dollars (Note 1)
	2010	2009	2008	2010
ASSETS				
Current assets:				
Cash (Notes 3, 10 and 19)	¥ 51,314	¥ 41,414	¥ 44,836	$ 551
Notes and accounts receivable (Note 19):				
Unconsolidated subsidiaries and affiliates	2,103	1,974	2,423	22
Trade	80,846	83,753	90,834	869
Less allowance for doubtful accounts	(840)	(597)	(335)	(9)
Inventories (Note 5)	29,534	24,143	22,246	317
Income taxes refundable (Note 13)	641	340	108	6
Deferred income taxes (Note 13)	17,857	19,743	19,938	192
Prepaid expenses and other current assets	41,794	37,771	41,087	449
Total current assets	223,254	208,544	221,138	2,400
Investments:				
Unconsolidated subsidiaries and affiliates (Notes 6 and 19)	48,462	49,249	42,920	521
Other securities (Notes 4, 10 and 19)	10,865	11,244	17,117	116
Total investments	59,327	60,494	60,038	637
Property, plant and equipment, at cost (Notes 7, 8, 10, 11 and 20)**:**				
Land	658,809	657,643	657,469	7,083
Buildings and structures	2,832,430	2,777,425	2,730,404	30,456
Machinery, equipment and vehicles	1,170,282	1,126,245	1,102,962	12,583
Tools, furniture and fixtures	112,297	105,539	97,320	1,207
Construction in progress	107,533	75,811	81,301	1,156
	4,881,352	4,742,665	4,669,458	52,487
Less accumulated depreciation	(2,809,076)	(2,721,154)	(2,640,818)	(30,205)
Property, plant and equipment, net	2,072,276	2,021,511	2,028,639	22,282
Deferred income taxes (Note 13)	139,030	125,527	109,035	1,494
Other assets	52,496	45,811	43,978	564
Total assets (Note 21)	¥ 2,546,384	¥ 2,461,889	¥ 2,462,831	$ 27,380

See accompanying notes to consolidated financial statements.

	Millions of yen 2010	2009	2008	Millions of U.S. dollars (Note 1) 2010
LIABILITIES AND NET ASSETS				
Current liabilities:				
Short-term loans (Notes 9 and 19)	**¥ 12,932**	¥ 28,807	¥ 13,630	**$ 139**
Current portion of long-term debt (Notes 9, 10 and 19)	**34,454**	63,473	87,979	**370**
Current portion of long-term payables (Notes 11 and 19)	**30,051**	33,503	34,630	**323**
Notes and accounts payable (Note 19):				
Unconsolidated subsidiaries and affiliates	**5,678**	2,630	2,901	**61**
Trade	**144,359**	146,492	171,676	**1,552**
Prepaid railway fares received (Note 19)	**31,450**	31,510	31,260	**338**
Deposits and advances received (Note 19)	**87,211**	101,149	127,306	**937**
Accrued expenses	**60,105**	60,224	61,756	**646**
Accrued income taxes (Note 13)	**11,877**	24,709	35,369	**127**
Allowance for customer point programs	**580**	563	670	**6**
Other current liabilities (Note 10)	**9,500**	16,299	11,514	**102**
Total current liabilities	**428,201**	509,365	578,698	**4,604**
Long-term debt (Notes 9, 10, 19 and 22(1))	**652,160**	500,698	441,495	**7,012**
Long-term payables (Notes 11 and 19)	**329,696**	359,713	393,157	**3,545**
Accrued retirement benefits (Note 15)	**324,801**	292,774	257,038	**3,492**
Allowance for antiseismic reinforcement measures	**—**	—	2,222	**—**
Allowance for environmental safety measures	**9,039**	10,193	11,466	**97**
Allowance for unredeemed gift tickets	**2,715**	2,808	2,667	**29**
Deferred income taxes (Note 13)	**213**	176	141	**2**
Other long-term liabilities	**97,413**	96,555	88,748	**1,047**
Total long-term liabilities	**1,416,040**	1,262,920	1,213,294	**15,226**
Contingent liabilities (Note 16)				
Net assets:				
Shareholders' equity (Note 17):				
Common stock:				
Authorized – 8,000,000 shares				
Issued and outstanding – 2,000,000 shares	**100,000**	100,000	100,000	**1,075**
Capital surplus	**55,000**	55,000	55,000	**591**
Retained earnings (Note 22(2))	**543,323**	531,236	489,366	**5,842**
Less treasury stock, at cost	**(30,343)**	(30,343)	(10,343)	**(326)**
Total shareholders' equity	**667,980**	655,893	634,022	**7,182**
Valuation and translation adjustments:				
Net unrealized holding gain on securities (Note 4)	**1,292**	1,004	4,552	**13**
Net deferred (loss) gain on hedging instruments	**(108)**	(233)	95	**(1)**
Total valuation and translation adjustments	**1,183**	770	4,647	**12**
Minority interests	**32,977**	32,938	32,167	**354**
Total net assets	**702,141**	689,602	670,838	**7,549**
Total liabilities and net assets	**¥2,546,384**	¥2,461,889	¥2,462,831	**$27,380**

Consolidated Statements of Income

West Japan Railway Company and its consolidated subsidiaries
Years ended March 31, 2010, 2009 and 2008

		Millions of yen		Millions of U.S. dollars (Note 1)
	2010	2009	2008	2010
Operating revenues (Note 21)	**¥1,190,135**	¥1,275,308	¥1,290,190	**$12,797**
Operating expenses:				
Transportation, other services and cost of sales	**915,865**	944,505	944,207	**9,848**
Selling, general and administrative expenses (Note 12)	**197,739**	208,283	208,569	**2,126**
	1,113,605	1,152,789	1,152,777	**11,974**
Operating income (Note 21)	**76,530**	122,519	137,413	**822**
Other income (expenses):				
Interest and dividend income	**632**	588	461	**6**
Interest expense	**(34,309)**	(34,592)	(35,424)	**(368)**
Equity in earnings of affiliates	**807**	986	1,298	**8**
Amortization of prior service cost	**—**	—	(2,826)	**—**
Loss on impairment of fixed assets (Notes 8 and 21)	**(3,266)**	(51)	(4,103)	**(35)**
Provision of allowance for environmental safety measures	**—**	—	(4,400)	**—**
Other, net	**3,298**	5,200	9,166	**35**
	(32,836)	(27,868)	(35,828)	**(353)**
Income before income taxes and minority interests	**43,693**	94,651	101,584	**469**
Income taxes (Note 13)**:**				
Current	**31,047**	52,432	56,559	**333**
Deferred	**(11,820)**	(13,621)	(14,737)	**(127)**
	19,226	38,810	41,822	**206**
Income before minority interests	**24,466**	55,841	59,762	**263**
Minority interests	**391**	(1,311)	(2,054)	**4**
Net income	**¥ 24,858**	¥ 54,529	¥ 57,707	**$ 267**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

West Japan Railway Company and its consolidated subsidiaries
Years ended March 31, 2010, 2009 and 2008

Millions of yen

	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Net unrealized holding gain on securities	Net deferred (loss) gain on hedging instruments	Total valuation and translation adjustments	Minority interests	Total net assets
Balance at March 31, 2007	¥100,000	¥55,000	¥443,658	¥ (327)	¥598,331	¥ 8,864	¥ 348	¥ 9,212	¥30,305	¥637,849
Net income for the year	—	—	57,707	—	57,707	—	—	—	—	57,707
Cash dividends	—	—	(12,000)	—	(12,000)	—	—	—	—	(12,000)
Increase in treasury stock resulting from change in shares of an affiliate	—	—	—	(16)	(16)	—	—	—	—	(16)
Purchases of treasury stock	—	—	—	(9,999)	(9,999)	—	—	—	—	(9,999)
Net changes in items other than shareholders' equity	—	—	—	—	—	(4,312)	(253)	(4,565)	1,862	(2,703)
Balance at March 31, 2008	¥100,000	¥55,000	¥489,366	¥(10,343)	¥634,022	¥ 4,552	¥ 95	¥ 4,647	¥32,167	¥670,838
Net income for the year	—	—	54,529	—	54,529	—	—	—	—	54,529
Cash dividends	—	—	(12,816)	—	(12,816)	—	—	—	—	(12,816)
Purchases of treasury stock	—	—	—	(19,999)	(19,999)	—	—	—	—	(19,999)
Decrease in retained earnings resulting from the addition of an affiliate under the equity method	—	—	(193)	—	(193)	—	—	—	—	(193)
Increase in retained earnings resulting from merger of an unconsolidated subsidiary	—	—	351	—	351	—	—	—	—	351
Net changes in items other than shareholders' equity	—	—	—	—	—	(3,548)	(328)	(3,876)	770	(3,106)
Balance at March 31, 2009	¥100,000	¥55,000	¥531,236	¥(30,343)	¥655,893	¥ 1,004	¥(233)	¥ 770	¥ 32,938	¥ 689,602
Net income for the year	**—**	**—**	**24,858**	**—**	**24,858**	**—**	**—**	**—**	**—**	**24,858**
Cash dividends	**—**	**—**	**(13,561)**	**—**	**(13,561)**	**—**	**—**	**—**	**—**	**(13,561)**
Increase in retained earnings resulting from merger of unconsolidated subsidiaries	**—**	**—**	**337**	**—**	**337**	**—**	**—**	**—**	**—**	**337**
Increase in retained earnings resulting from change in number of consolidated subsidiaries	**—**	**—**	**452**	**—**	**452**	**—**	**—**	**—**	**—**	**452**
Net changes in items other than shareholders' equity	**—**	**—**	**—**	**—**	**—**	**288**	**124**	**412**	**39**	**451**
Balance at March 31, 2010	**¥100,000**	**¥55,000**	**¥543,323**	**¥(30,343)**	**¥667,980**	**¥ 1,292**	**¥(108)**	**¥1,183**	**¥32,977**	**¥702,141**

Millions of U.S. dollars (Note 1)

	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Net unrealized holding gain on securities	Net deferred (loss) gain on hedging instruments	Total valuation and translation adjustments	Minority interests	Total net assets
Balance at March 31, 2009	$1,075	$591	$5,712	$(326)	$7,052	$10	$(2)	$ 8	$354	$7,415
Net income for the year	**—**	**—**	**267**	**—**	**267**	**—**	**—**	**—**	**—**	**267**
Cash dividends	**—**	**—**	**(145)**	**—**	**(145)**	**—**	**—**	**—**	**—**	**(145)**
Increase in retained earnings resulting from merger of unconsolidated subsidiaries	**—**	**—**	**3**	**—**	**3**	**—**	**—**	**—**	**—**	**3**
Increase in retained earnings resulting from change in number of consolidated subsidiaries	**—**	**—**	**4**	**—**	**4**	**—**	**—**	**—**	**—**	**4**
Net changes in items other than shareholders' equity	**—**	**—**	**—**	**—**	**—**	**3**	**1**	**4**	**0**	**4**
Balance at March 31, 2010	**$1,075**	**$591**	**$5,842**	**$(326)**	**$7,182**	**$13**	**$(1)**	**$12**	**$354**	**$7,549**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

West Japan Railway Company and its consolidated subsidiaries
Years ended March 31, 2010, 2009 and 2008

	Millions of yen			Millions of U.S. dollars (Note 1)
	2010	2009	2008	2010
Cash flows from operating activities				
Income before income taxes and minority interests	**¥ 43,693**	¥ 94,651	¥ 101,584	**$ 469**
Adjustments for:				
Depreciation and amortization	**141,903**	137,009	128,085	**1,525**
Loss on impairment of fixed assets	**3,266**	51	4,103	**35**
Loss on deduction of contributions received for construction from acquisition costs of property, plant and equipment	**35,200**	53,338	24,864	**378**
Loss on disposal of property, plant and equipment	**8,873**	7,394	11,111	**95**
Increase in allowance for doubtful accounts	**140**	520	275	**1**
Increase in accrued retirement benefits	**31,959**	35,729	37,344	**343**
(Decrease) increase in accrued bonuses	**(1,259)**	(595)	468	**(13)**
Decrease in other accruals	**(1,302)**	(3,419)	(157)	**(14)**
Interest and dividend income	**(632)**	(588)	(461)	**(6)**
Interest expense	**34,309**	34,592	35,424	**368**
Equity in earnings of affiliates	**(807)**	(986)	(1,298)	**(8)**
Gain on contributions received for construction	**(35,961)**	(54,935)	(25,891)	**(386)**
Decrease in notes and accounts receivable	**4,623**	8,095	4,235	**49**
Increase in inventories	**(5,339)**	(1,826)	(2,866)	**(57)**
Decrease in notes and accounts payable	**(15,242)**	(33,736)	(21,504)	**(163)**
(Decrease) increase in accrued consumption taxes	**(4,466)**	2,611	(2,177)	**(48)**
Other	**400**	(1,568)	5,606	**4**
Subtotal	**239,359**	276,338	298,747	**2,573**
Interest and dividend income received	**619**	648	472	**6**
Interest paid	**(34,409)**	(34,827)	(35,564)	**(369)**
Income taxes paid	**(44,260)**	(63,318)	(41,472)	**(475)**
Net cash provided by operating activities	**161,309**	178,840	222,183	**1,734**
Cash flows from investing activities				
Payments for time deposits with a maturity in excess of three months	**(35,230)**	(230)	(230)	**(378)**
Proceeds from time deposits with a maturity in excess of three months	**35,230**	230	230	**378**
Purchases of property, plant and equipment	**(246,183)**	(201,716)	(224,864)	**(2,647)**
Proceeds from sales of property, plant and equipment	**1,791**	2,481	2,847	**19**
Contributions received for construction	**37,855**	40,928	45,027	**407**
Increase in investments in securities	**(812)**	(12,023)	(1,198)	**(8)**
Proceeds from sales of investments in securities	**800**	18	44	**8**
Increase in long-term loans receivable	**(584)**	(828)	(641)	**(6)**
Collection of long-term loans receivable	**562**	681	736	**6**
Other	**(2,210)**	(2,192)	(1,232)	**(23)**
Net cash used in investing activities	**(208,782)**	(172,651)	(179,281)	**(2,244)**
Cash flows from financing activities				
(Decrease) increase in short-term loans	**(16,493)**	14,447	1,526	**(177)**
Proceeds from long-term loans	**66,900**	63,606	26,300	**719**
Repayment of long-term loans	**(42,770)**	(43,060)	(49,383)	**(459)**
Proceeds from issuance of bonds	**115,000**	55,000	29,982	**1,236**
Redemption of bonds	**(20,000)**	(45,000)	—	**(215)**
Repayment of long-term payables	**(33,437)**	(34,539)	(36,431)	**(359)**
Purchases of treasury stock	**—**	(19,999)	(9,999)	**—**
Cash dividends paid to the Company's shareholders	**(13,552)**	(12,825)	(12,025)	**(145)**
Cash dividends paid to minority shareholders of consolidated subsidiaries	**(117)**	(126)	(112)	**(1)**
Other	**(907)**	12,311	(5,735)	**(9)**
Net cash provided by (used in) financing activities	**54,621**	(10,185)	(55,879)	**587**
Net increase (decrease) in cash and cash equivalents	**7,148**	(3,996)	(12,978)	**76**
Cash and cash equivalents at beginning of year	**41,184**	44,606	57,584	**442**
Increase in cash and cash equivalents resulting from initial consolidation of subsidiaries	**2,690**	—	—	**28**
Increase in cash and cash equivalents resulting from merger of unconsolidated subsidiaries	**61**	574	—	**0**
Cash and cash equivalents at end of year (Note 3)	**¥ 51,084**	¥ 41,184	¥ 44,606	**$ 549**

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

West Japan Railway Company and its consolidated subsidiaries
March 31, 2010

1. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation of Financial Statements

The accompanying consolidated financial statements of West Japan Railway Company (the "Company") and its consolidated subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan. In addition, the notes to the consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

The accompanying consolidated financial statements are stated in yen, the currency of the country in which the Company and its consolidated subsidiaries are incorporated and operate. The translation of yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made at ¥93=U.S.$1.00, the exchange rate prevailing on March 31, 2010. This translation should not be construed as a representation that yen can be converted into U.S. dollars at the above or any other rate.

As permitted, amounts of less than one million yen have been omitted. As a result, the totals shown in the accompanying consolidated financial statements (both in yen and in U.S. dollars) do not necessarily agree with the sum of the individual amounts.

Summary of Significant Accounting Policies

(1) Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Company and all significant subsidiaries over which substantial control is exerted either through majority ownership of voting stock and/or by other means. All significant intercompany balances and transactions have been eliminated in consolidation.

Investments in affiliates (companies over which the Company has the ability to exercise significant influence) are stated at cost plus equity in their undistributed earnings or undisposed losses. Consolidated net income includes the Company's equity in the current net income or loss of such companies after the elimination of unrealized intercompany profits.

All assets and liabilities of the subsidiaries are revalued on acquisition, if applicable. The difference, not significant in amount, between the cost of investments in subsidiaries and the equity in their net assets at their respective dates of acquisition is amortized over a period of five years on a straight-line basis.

The balance sheet date of one consolidated subsidiary is December 31. Any significant differences in intercompany accounts and transactions arising from intervening intercompany transactions during the period from January 1 through March 31 have been adjusted, if necessary.

(2) Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents consist of cash on hand, deposits with banks withdrawable on demand and short-term investments which are readily convertible to cash subject to an insignificant risk of any change in their value and which were purchased with an original maturity of three months or less.

(3) Investments in securities

Investments in marketable securities are stated at fair value, and net unrealized holding gain or loss on such securities is accounted for as a separate component of net assets. Cost of securities sold is determined primarily by the moving average method. Investments in non-marketable securities are stated at cost based on the moving average method.

(4) Derivative financial instruments

Derivative financial instruments are stated at fair value.

(5) Inventories

Inventories are stated at lower of cost or net selling value, determined primarily by the following methods:

Merchandise:
The last purchase price method or the retail cost method;
Real estate for sale and contracts in process:
The individual identification method;
Rails, materials and supplies: The moving average method.

(6) Property, plant and equipment (excluding leased assets)

Property, plant and equipment are stated at cost (see Note 7). Depreciation is determined primarily by the declining-balance method at rates based on the estimated useful lives of the respective assets, except for certain railway fixtures included in buildings and structures whose initial acquisition costs have been depreciated to a book value of 50% of their original costs, with the proviso that any replacement costs be charged to income.

(7) Intangible assets

Amortization of intangible assets is calculated by the straight-line method over the estimated useful lives of the respective assets.

(8) Research and development costs and computer software

Research and development costs are charged to income as incurred.

Expenditures relating to the development of computer software intended for internal use are charged to income when incurred, except if they are deemed to contribute to the generation of future income or cost savings. Any such expenditures are capitalized as assets and are amortized by the straight-line method over their estimated useful lives, generally a period of 5 years.

(9) Leases

The Company and its consolidated subsidiaries have entered into contracts to lease certain equipment under noncancelable leases referred to as finance leases. Until the year ended March 31, 2008, finance leases other than those which transfer the ownership of the leased assets to the lessee were accounted for as operating leases.

Effective the year ended March 31, 2009, leased assets under finance lease transactions which do not transfer ownership to the lessee are capitalized and depreciated over the respective lease terms to a nil residual value by the straight-line method.

Finance lease transactions commencing on or before March 31, 2008 other than those in which the ownership of the leased assets is transferred to the lessee are accounted for as operating leases.

(10) Income taxes

Deferred income taxes are recognized by the asset and liability method. Under this method, deferred tax assets and liabilities are determined based on the differences between the financial reporting and the tax bases of the assets and liabilities and are measured using the enacted tax rates and laws which will be in effect when the differences are expected to reverse.

(11) Allowance for customer point programs

Allowance for customer point programs is provided, at a reasonably estimated amount, for expected expenditures corresponding to points granted to customers, which are expected to be utilized in following periods.

(12) Accrued retirement benefits

Accrued retirement benefits for employees are provided at the retirement benefit obligation less the fair value of the pension plan assets, as adjusted for the unrecognized net retirement benefit obligation at transition and unrecognized actuarial gain or loss. The retirement benefit obligation is attributed to each period by the straight-line method over the estimated remaining years of service of the eligible employees.

The net retirement benefit obligation at transition of ¥321,242 million is being amortized principally over a ten-year period.

Actuarial gain or loss is amortized commencing the year following the year in which the gain or loss is recognized by the straight-line method principally over a ten-year period, which is shorter than the average remaining years of service of the eligible employees.

Prior service cost is principally charged to income when incurred.

(13) Allowance for antiseismic reinforcement measures

To meet certain expenditures including the removal and restoration costs relating to quake-proof reinforcement work on the columns of the elevated railroads of the Shinkansen Line, the Company provided an allowance for such expenses at a reasonably estimated amount.

(14) Allowance for environmental safety measures

To meet expenditures for the disposal of polychlorinated biphenyl and other wastes held by the Company, an allowance at an amount reasonably estimated has been provided.

As the Company found soil pollution in a portion of land under development which it owns, an allowance has been provided at a reasonably estimated amount to meet expenditures of the related clean-up costs.

(15) Allowance for unredeemed gift tickets

Unutilized gift tickets issued by certain consolidated subsidiaries were credited to income after a fixed period had passed from their respective dates of issuance. Certain consolidated subsidiaries are provided an allowance for unredeemed gift tickets at a reasonably estimated amount which is expected to be incurred based on the historical redemption ratio.

(16) Recognition of revenues and costs of construction contracts

Revenues and costs of construction contracts that commenced on or after April 1, 2009, of which the percentage of completion can be reliably estimated, are recognized by the percentage-of-completion method. The percentage of completion is calculated at the cost incurred as a percentage of the estimated total cost. The completed-contract method continues to be adopted for contracts for which the percentage of completion cannot be reliably estimated.

(17) Recognition of revenue derived from finance lease transactions as a lessor

Revenue from financial lease transactions and its related cost are recognized upon receipt of lease payments.

(18) Hedge accounting

Gain or loss on derivatives designated as hedging instruments is deferred until the loss or gain on the underlying hedged items is recognized. Derivatives such as forward foreign exchange contracts and interest-rate swap contracts are utilized to manage foreign currency and interest-rate risk. Forward foreign exchange contracts which meet certain conditions are accounted for by the allocation method, which requires that recognized foreign currency receivables or payables be translated at the corresponding forward foreign exchange contract rates. Interest-rate swaps which meet certain conditions are accounted for as if the interest rates applied to the interest-rate swaps had originally been applied to the underlying debt.

2. ADOPTION OF NEW ACCOUNTING STANDARDS

(1) Recognition of revenues and costs of construction contracts

Effective the year ended March 31, 2010, the Company and its consolidated subsidiaries have adopted "Accounting Standard for Construction Contracts" (Accounting Standards Board of Japan ("ASBJ") Statement No.15) and "Guidance on Accounting Standard for Construction Contracts" (ASBJ Guidance No.18), both issued on December 27, 2007. Under these accounting standards, revenues and costs of construction contracts that commenced on or after April 1, 2009, of which the percentage of completion can be reliably estimated, are recognized by the percentage-of-completion method. The percentage of completion is calculated at the cost incurred as a percentage of the estimated total cost. The completed-contract method continues to be adopted for contracts for which the percentage of completion cannot be reliably estimated.

The effect of this adoption on consolidated financial statements for the year ended March 31, 2010 was immaterial.

(2) Change in method for valuing securities

Effective the year ended March 31, 2010, the Company and its consolidated subsidiaries have adopted "Accounting Standard for Financial Instruments" (ASBJ Statement No.10 revised on March 10, 2008). Under this accounting standard, if future cash flows can be estimated for securities classified as other securities for which market prices are unavailable, they are determined at the present value of estimated future cash flows in the accompanying consolidated balance sheet as of March 31, 2010. Present value is calculated by discounting estimated future cash flows using the interest rate determined at Japanese government bond yields plus a credit spread premium.

The effect of this adoption on consolidated financial statements for the year ended March 31, 2010 was immaterial.

(3) Partial amendments to accounting standard for retirement benefits (Part3)

Effective the year ended March 31, 2010, the Company and its consolidated subsidiaries have adopted "Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)," (ASBJ Statement No.19 issued on July 31, 2008).

The effect of this adoption on consolidated financial statements for the year ended March 31, 2010 was nil, because there was no actuarial gain or loss resulting from this adoption.

(4) Leases

Effective the year ended March 31, 2009, the Company and its consolidated subsidiaries adopted "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13 revised by the ASBJ on March 30, 2007) and the "Guidance on Accounting Standard for Lease Transactions" (ASBJ Guidance No.16 revised by the ASBJ on March 30, 2007). Under these accounting standards, lease transactions commencing on or after April 1, 2008 other than those in which the ownership of the leased assets is transferred to the Company or its consolidated subsidiaries are accounted for as finance leases if substantially all of the benefits and risks of ownership have been transferred to the lessee. Such leased assets under finance lease transactions are capitalized and depreciated over the respective lease terms to a nil residual value by the straight-line method.

Finance lease transactions commencing on or before March 31, 2008 other than those in which the ownership of the leased assets is transferred to the Company or its consolidated subsidiaries are accounted for in the same manner as operating leases.

The effect of this adoption on consolidated financial statements for the year ended March 31, 2009 was immaterial.

(5) Related party transactions

Effective the year ended March 31, 2009, the Company adopted, "Accounting Standard for Related Party Disclosures" (ASBJ Statement No.11) and "Guidance on Accounting Standard for Related Party Disclosures" (ASBJ Guidance No.13).

There were no items to be disclosed for the year ended March 31, 2009 as a result of the adoption of these new standards.

(6) Accounting standard for measurement of inventories

Effective the year ended March 31, 2008, the Company and its consolidated subsidiaries adopted, "Accounting Standard for Measurement of Inventories" (ASBJ Statement No.9 issued on July 5, 2006). The effect of this adoption on the consolidated financial statements for the year ended March 31, 2008 was immaterial.

(7) Change in the method of accounting for depreciation of property, plant and equipment

In accordance with the 2007 revision of the Corporation Tax Law of Japan, effective April 1, 2007, the method of accounting for depreciation of property, plant and equipment acquired on or after April 1, 2007 was changed to the declining-balance method stipulated in the revised law.

The Company publicized the revised medium-term management targets of the group as important management challenges remained which mainly consisted of "Promotion of measures to enhance safety" and "Provision of quality services and products preferred by customers" at October 31, 2006. The Company completed the installation of ATS and quake-proof reinforcements of elevated railroads and so forth during the year ended March 31,

2007. The Company has continuously engaged in enhancing safety subsequent to April 1, 2007 and will also steadily go ahead with various projects in the railway business, such as preparing for the expansion of Kyushu Shinkansen to Hakata station to commence through-service operations between Kyushu and Sanyo Shinkansen at the end of the year ending March 31, 2011. In addition, the Company will steadily go ahead with its plan for the renovation of Osaka station and the development of the New North Building. The Company will also continuously improve the stations in order to make them convenient, attractive and selectable by more users such as via the installation of barrier-free facilities, which are more convenient and functional, and making changes to the designs of existing stations resulting from the development of commercial facilities in the stations.

Considering the above condition of investments and renovation related to buildings in the future, earlier depreciation of buildings would be able to reflect more properly the condition of buildings for operations, for instance stations.

In addition, in accordance with the 2007 revision of the Corporation Tax Law of Japan, effective April 1, 2007, the method of accounting for depreciation of property, plant and equipment acquired before April 1, 2007 was changed. Property, plant and equipment acquired before April 1, 2007 which has been depreciated to their respective residual value are depreciated to memorandum value by the straight-line method over a period of 5 years. This change was made mainly in consideration of the Company's buildings' condition of disposition and the trend in accounting practice to set residual value at one yen.

The effect of this change was to increase depreciation expense included in operating expenses by ¥9,433 million and decrease operating income, and income before income taxes and minority interests by the same amount for the year ended March 31, 2008 as compared to the corresponding amounts which would have been recorded under the previous method. In addition, depreciation expense with respect to the residual value of existing property, plant and equipment amounted to ¥7,199 million for the year ended March 31, 2008 and was included as a part of the increase in depreciation expense mentioned above.

(8) Allowance for unredeemed gift tickets

Unutilized gift tickets issued by certain consolidated subsidiaries were credited to income after a fixed period had passed from their respective dates of issuance. Until the year ended March 31, 2007, gift tickets which were utilized after having been credited to income were expensed at the time of exchange. Effective the year ended March 31, 2008, the Company adopted an accounting standard for allowances (Auditing and Assurance Practice Committee Statement No.42 revised on April 13, 2007). As a result, certain consolidated subsidiaries have provided an allowance for unredeemed gift tickets at a reasonably estimated amount which is expected to be incurred based on the historical redemption ratio. The effect of this change in method of accounting was to increase operating revenues and operating income by ¥67 million and to decrease income before income taxes and minority interests by ¥2,667 million for the year ended March 31, 2008 as compared to the corresponding amounts which would have been recorded under the previous method.

3. CASH AND CASH EQUIVALENTS

The balances of cash reflected in the accompanying consolidated balance sheets at March 31, 2010, 2009 and 2008 are reconciled to the balances of cash and cash equivalents as presented in the accompanying consolidated statements of cash flows for the years then ended as follows:

	Millions of yen			Millions of U.S. dollars
	2010	2009	2008	2010
Cash	**¥51,314**	¥41,414	¥44,836	**$551**
Time deposits with original maturities in excess of three months included in cash	**(230)**	(230)	(230)	**(2)**
Cash and cash equivalents	**¥51,084**	¥41,184	¥44,606	**$549**

4. INVESTMENTS IN SECURITIES

The accounting standard for financial instruments requires that, except for investments in unconsolidated subsidiaries and affiliates, all other investments in securities be classified as follows: trading, held-to-maturity, or other securities. The Company and its consolidated subsidiaries did not have any investments classified as trading or held-to-maturity securities at March 31, 2010, 2009 and 2008. The standard further requires that other securities be stated at fair value, with any unrealized holding gain or loss reported as a separate component of net assets, net of deferred income taxes.

Investments in marketable securities at March 31, 2010, 2009 and 2008 are summarized as follows:

	Millions of yen					
	2010			2009		
	Acquisition costs	Carrying value	Unrealized gain (loss)	Acquisition costs	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition costs:						
Equity securities	**¥4,944**	**¥7,211**	**¥2,266**	¥4,117	¥6,417	¥2,300
Debt securities:						
Government bonds	**37**	**37**	**0**	32	33	0
Corporate bonds	**50**	**51**	**1**	—	—	—
Subtotal	**5,031**	**7,300**	**2,269**	4,150	6,450	2,300
Securities whose carrying value does not exceed their acquisition costs:						
Equity securities	**1,665**	**1,242**	**(422)**	3,318	2,396	(921)
Debt securities:						
Government bonds	**—**	**—**	**—**	—	—	—
Subtotal	**1,665**	**1,242**	**(422)**	3,318	2,396	(921)
Total	**¥6,697**	**¥8,543**	**¥1,846**	¥7,468	¥8,847	¥1,378

	Millions of yen		
	2008		
	Acquisition costs	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition costs:			
Equity securities	¥6,373	¥13,549	¥7,176
Debt securities:			
Government bonds	3	3	0
Subtotal	6,376	13,553	7,176
Securities whose carrying value does not exceed their acquisition costs:			
Equity securities	716	644	(72)
Debt securities:			
Government bonds	25	25	(0)
Subtotal	742	669	(72)
Total	¥7,118	¥14,222	¥7,104

	Millions of U.S. dollars		
	2010		
	Acquisition costs	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition costs:			
Equity securities	**$53**	**$77**	**$24**
Debt securities:			
Government bonds	**0**	**0**	**0**
Corporate bonds	**0**	**0**	**0**
Subtotal	**54**	**78**	**24**
Securities whose carrying value does not exceed their acquisition costs:			
Equity securities	**17**	**13**	**(4)**
Debt securities:			
Government bonds	**—**	**—**	**—**
Subtotal	**17**	**13**	**(4)**
Total	**$72**	**$91**	**$19**

The carrying value of investments in non-marketable securities at March 31, 2009 and 2008 was as follows:

	Millions of yen	
	2009	2008
Unlisted equity securities	¥2,276	¥2,809
Other	120	85
	¥2,397	¥2,895

5. INVENTORIES

Inventories at March 31, 2010 and 2009 consisted of the following:

	Millions of yen		Millions of U.S. dollars
	2010	2009	**2010**
Merchandise and real estate for sale	**¥ 5,133**	¥ 5,774	**$ 55**
Contracts in process	**12,106**	7,367	**130**
Rails, materials and supplies	**12,295**	11,001	**132**
	¥29,534	¥24,143	**$317**

6. INVESTMENTS IN UNCONSOLIDATED SUBSIDIARIES AND AFFILIATES

Investments in unconsolidated subsidiaries and affiliates at March 31, 2010, 2009 and 2008 consisted of the following:

	Millions of yen			Millions of U.S. dollars
	2010	2009	2008	**2010**
Investments in:				
Unconsolidated subsidiaries	**¥11,040**	¥12,818	¥ 7,310	**$118**
Affiliates	**37,421**	36,430	35,609	**402**
	¥48,462	¥49,249	¥42,920	**$521**

7. PROPERTY, PLANT AND EQUIPMENT

Contributions for the construction of railway facilities granted by national and municipal governments and others are deducted directly from the acquisition costs of the related fixed assets as stipulated in the Corporation Tax Law of Japan. Compensation for the expropriation of properties received from national and municipal governments and others, in accordance with the Corporation Tax Law, is also deducted directly from the acquisition costs of the properties acquired to replace the properties expropriated.

The contributions deducted from the acquisition costs of property, plant and equipment for the years ended March 31, 2010, 2009 and 2008 totaled ¥35,200 million ($378 million), ¥53,338 million and ¥24,864 million, respectively. The accumulated contributions deducted from the acquisition costs of property, plant and equipment at March 31, 2010, 2009 and 2008 amounted to ¥603,841 million ($6,492 million), ¥574,718 million and ¥525,033 million, respectively.

The compensation deducted from the acquisition costs of property, plant and equipment to replace the properties expropriated for the years ended March 31, 2010, 2009 and 2008 totaled ¥6,124 million ($65 million), ¥10,166 million and ¥3,416 million, respectively.

8. LOSS ON IMPAIRMENT OF FIXED ASSETS

The Company and its consolidated subsidiaries group their fixed assets relating to transportation, sales of goods and food services and other businesses primarily at each business which manages the receipts and payments separately. They also group their fixed assets in the real estate business, fixed assets which they have determined to dispose of and idle assets primarily at each asset.

Consequently, for the years ended March 31, 2010, 2009 and 2008, the Company wrote down the following fixed assets to their respective recoverable value and recorded a related loss on impairment of fixed assets totaling ¥3,266 million ($35 million), ¥51 million and ¥4,103 million, respectively, in the accompanying consolidated statements of income for the years then ended.

	Millions of yen		Millions of U.S. dollars
	2010	2008	2010
Assets to be disposed of:			
Building and other, held in Kurashiki City, Okayama Prefecture	**¥2,367**	¥ —	**$25**
Rolling stock held in Chikushi District, Fukuoka Prefecture—48 items	**—**	2,225	**—**
Idle assets:			
Land mainly held in Kobe City, Hyogo Prefecture—29,000 m^2	**—**	1,878	**—**
Other assets:			
Buildings, land and other, held in Kobe City, Hyogo Prefecture	**898**	—	**9**
Total	**¥3,266**	¥4,103	**$35**

Detailed information on loss on impairment of fixed assets for the year ended March 31, 2009 in the amount of ¥51 million was omitted because the amount involved was immaterial.

The recoverable value of the assets to be disposed of and the idle assets presented in the above table was measured primarily at net realizable value and was calculated based principally on the appraisal value published by the tax authorities.

The recoverable value of other assets presented in the above table was measured primarily at value in use, which is determined at future cash flows discounted at 5%.

9. SHORT-TERM LOANS AND LONG-TERM DEBT

Short-term loans represent loans on deeds due within one year. The annual interest rates applicable to such loans outstanding at March 31, 2010, 2009 and 2008 ranged from 0.01% to 0.96%, from 0.26% to 1.16%, and from 0.66% to 1.20%, respectively.

Long-term debt at March 31, 2010, 2009 and 2008 is summarized as follows:

	Millions of yen			Millions of U.S. dollars
	2010	2009	2008	2010
Secured West Japan Railway bonds, payable in yen, at rates ranging from 2.41% to 3.45%, due from 2017 through 2019	**¥110,000**	¥130,000	¥175,000	**$1,182**
Unsecured West Japan Railway bonds, payable in yen, at rates ranging from 0.387% to 2.49%, due from 2013 through 2030	**274,968**	159,966	104,964	**2,956**
Unsecured loans from the Development Bank of Japan, payable in yen, at rates ranging from 0.00% to 8.50%, due in installments from 2011 through 2021	**61,832**	55,063	63,956	**664**
Unsecured loans from banks and insurance companies, payable in yen, at rates ranging from 1.10% to 2.36%, due in installments from 2011 through 2026	**209,700**	190,772	163,669	**2,254**
Secured loans from the Development Bank of Japan, payable in yen, at rates ranging from 3.25% to 4.70%, due in installments from 2011 through 2019	**5,180**	5,810	6,460	**55**
Finance lease obligations, at rates ranging from 0.00% to 3.05%, due in installments from 2011 through 2030	**7,397**	4,116	—	**79**
Other	**17,536**	18,442	15,425	**188**
	686,614	564,171	529,475	**7,382**
Less current portion	**(34,454)**	(63,473)	(87,979)	**(370)**
	¥652,160	¥500,698	¥441,495	**$7,012**

The aggregate annual maturities of long-term debt subsequent to March 31, 2010 are summarized as follows:

Year ending March 31,	Millions of yen	Millions of U.S. dollars
2011	¥ 34,454	$ 370
2012	45,787	492
2013	84,798	911
2014	37,992	408
2015	46,300	497
2016 and thereafter	437,280	4,701
	¥686,614	$7,382

In order to achieve more efficient financing, the Company has concluded line-of-credit agreements with certain financial institutions. The status of these lines of credit at March 31, 2010 and 2009 was as follows:

	Millions of yen		Millions of U.S. dollars
	2010	2009	**2010**
Lines of credit	**¥100,000**	¥100,000	**$1,075**
Credit utilized	**—**	15,000	**—**
Available credit	**¥100,000**	¥ 85,000	**$1,075**

10. PLEDGED ASSETS

Assets pledged at March 31, 2010 as collateral for indebtedness are summarized as follows:

	Millions of yen	Millions of U.S. dollars
Bank deposits included in cash	¥ 230	$ 2
Investments in other securities	60	0
Land	190	2
Buildings and structures, net	18,831	202
	¥19,311	$207

The indebtedness secured by such collateral at March 31, 2010 was as follows:

	Millions of yen	Millions of U.S. dollars
Current portion of long-term loans included in current portion of long-term debt	¥ 610	$ 6
Long-term loans included in long-term debt	4,570	49
Other current liabilities	1,844	19
	¥7,024	$75

In addition, the entire property of the Company is subject to statutory preferential rights for the security of all its secured bonds.

11. LONG-TERM PAYABLES

Long-term payables at March 31, 2010, 2009 and 2008 are summarized as follows:

	Millions of yen			Millions of U.S. dollars
	2010	2009	2008	**2010**
Unsecured payables to the Japan Railway Construction, Transport & Technology Agency:				
Variable interest portion, due in installments from 2011 through 2017	**¥164,521**	¥196,877	¥230,372	**$1,769**
Fixed interest portion at 6.35% and 6.55%, due in installments from 2011 through 2052	**187,860**	188,365	188,838	**2,020**
Other	**7,366**	7,974	8,576	**79**
	359,748	393,217	427,788	**3,868**
Less current portion	**(30,051)**	(33,503)	(34,630)	**(323)**
	¥329,696	¥359,713	¥393,157	**$3,545**

On October 1, 1991, the Company purchased Sanyo Shinkansen's facilities from Shinkansen Holding Corporation ("SHC") for a total price of ¥974,111 million. The Company is currently liable to the Japan Railway Construction, Transport & Technology Agency ("JRTT") for this purchase. In accordance with the terms of the purchase agreement, the interest rate applied to the variable interest portion of the payables for each fiscal year will be adjusted every year to a weighted-average interest rate to be determined based on the interest rate of certain of JRTT's long-term debt (as defined in the purchase agreement) assumed from SHC and outstanding as of April 1 of each respective year.

The variable interest rates for the years ended March 31, 2010, 2009 and 2008 were 4.15%, 4.21% and 4.28%, respectively.

The aggregate annual maturities of long-term payables subsequent to March 31, 2010 are summarized as follows:

Year ending March 31,	Millions of yen	Millions of U.S. dollars
2011	¥30,051	$ 323
2012	39,167	421
2013	40,904	439
2014	39,746	427
2015	38,135	410
2016 and thereafter	171,742	1,846
	¥359,748	$3,868

12. RESEARCH AND DEVELOPMENT COSTS

Research and development costs are expensed in the year in which such costs are incurred. These amounted to ¥6,480 million ($69 million), ¥7,349 million and ¥6,716 million for the years ended March 31, 2010, 2009 and 2008, respectively.

13. INCOME TAXES

The aggregate statutory tax rate applicable to the Company and its consolidated subsidiaries was 40.69% for the years ended March 31, 2010, 2009 and 2008.

A reconciliation of the statutory tax rate and effective tax rate for the year ended March 31, 2010 as a percentage of income before income taxes and minority interests was as follows:

	2010
Statutory tax rate	**40.69%**
Increase (decrease) in income taxes resulting from:	
Reversal of valuation allowance	**2.04**
Per capita portion of inhabitants' taxes	**1.64**
Permanent non-deductible expenses	**0.81**
Other	**(1.18)**
Effective tax rate	**44.00%**

A reconciliation of the statutory tax rate and the effective tax rate for the years ended March 31, 2009, and 2008 has been omitted because the differences between these tax rates were less than five percent of the statutory tax rate.

The significant components of deferred tax assets and liabilities of the Company and its consolidated subsidiaries at March 31, 2010, 2009 and 2008 are summarized as follows:

	Millions of yen			Millions of U.S. dollars
	2010	2009	2008	2010
Deferred tax assets:				
Accrued bonuses included in accrued expenses	**¥ 13,490**	¥ 13,971	¥ 14,202	**$ 145**
Accrued enterprise taxes included in accrued income taxes	**1,396**	2,378	3,161	**15**
Accrued retirement benefits	**131,952**	118,930	104,403	**1,418**
Unrealized gain on property, plant and equipment	**7,674**	7,354	7,061	**82**
Tax loss carryforwards	**1,570**	229	152	**16**
Other	**26,100**	24,407	24,011	**280**
Gross deferred tax assets	**182,186**	167,271	152,993	**1,958**
Valuation allowance	**(7,282)**	(6,270)	(6,279)	**(78)**
Total deferred tax assets	**174,903**	161,000	146,714	**1,880**
Deferred tax liabilities:				
Unrealized holding gain on securities	**(751)**	(561)	(2,892)	**(8)**
Contributions received for construction deducted from acquisition costs of property, plant and equipment	**(14,780)**	(13,092)	(12,883)	**(158)**
Gain on valuation of assets of consolidated subsidiaries	**(1,443)**	(1,443)	(1,443)	**(15)**
Other	**(1,253)**	(807)	(661)	**(13)**
Total deferred tax liabilities	**(18,229)**	(15,905)	(17,881)	**(196)**
Deferred tax assets, net	**¥156,674**	¥145,095	¥128,832	**$1,684**

14. LEASES

Finance lease transactions commencing on or before March 31, 2008 other than those in which the ownership of the leased assets is transferred to the Company or its consolidated subsidiaries are accounted for in the same manner as operating leases.

Due to the adoption of the new accounting standards including the "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13 revised by the ASBJ on March 30, 2007), real estate lease transactions were included in the following tables at March 31, 2009. As a result, the amounts increased significantly compared with those at March 31, 2008.

The following *pro forma* amounts represent the acquisition costs, accumulated depreciation / amortization and net book value of the leased assets as of March 31, 2010, 2009 and 2008, which would have been reflected in the accompanying consolidated balance sheets if finance lease accounting had been applied to the finance lease transactions entered into by the Company and its consolidated subsidiaries as lessees, which are currently accounted for as operating leases:

Millions of yen

	2010				2009			
	Acquisition costs	Accumulated depreciation / amortization	Accumulated impairment loss	Net book value	Acquisition costs	Accumulated depreciation / amortization	Accumulated impairment loss	Net book value
Leased assets:								
Buildings and structures	**¥2,403**	**¥ 266**	**¥ —**	**¥2,137**	¥2,403	¥ 179	¥ —	¥2,224
Machinery, equipment and vehicles	**673**	**341**	**113**	**219**	797	340	—	457
Tools, furniture and fixtures	**1,806**	**1,032**	**—**	**773**	2,088	1,028	—	1,059
Software included in other assets	**118**	**104**	**—**	**13**	141	115	—	25
	¥5,002	**¥1,744**	**¥113**	**¥3,144**	¥5,431	¥1,664	¥ —	¥3,767

Millions of yen

	2008			
	Acquisition costs	Accumulated depreciation / amortization	Accumulated impairment loss	Net book value
Leased assets:				
Buildings and structures	¥ —	¥ —	¥ —	¥ —
Machinery, equipment and vehicles	731	207	—	524
Tools, furniture and fixtures	2,049	829	—	1,220
Software included in other assets	141	87	—	54
	¥2,923	¥1,124	¥ —	¥1,798

Millions of U.S. dollars

	2010			
	Acquisition costs	Accumulated depreciation / amortization	Accumulated impairment loss	Net book value
Leased assets:				
Buildings and structures	**$25**	**$ 2**	**$ —**	**$22**
Machinery, equipment and vehicles	**7**	**3**	**1**	**2**
Tools, furniture and fixtures	**19**	**11**	**—**	**8**
Software included in other assets	**1**	**1**	**—**	**0**
	$53	**$18**	**$ 1**	**$33**

Lease payments relating to finance leases accounted for as operating leases for the years ended March 31, 2010, 2009 and 2008 totaled ¥557 million ($5 million), ¥646 million and ¥492 million, respectively. These amounts are equal to the depreciation / amortization expense of the leased assets computed by the straight-line method over the respective lease terms assuming a nil residual value. For the year ended March 31, 2010, loss on impairment of ¥113 million ($1 million) was recorded on leased assets.

Future minimum lease payments (including the interest portion thereon) subsequent to March 31, 2010 for finance leases accounted for as operating leases and accumulated impairment losses on the leased assets are summarized as follows:

Year ending March 31,	Millions of yen	Millions of U.S. dollars
2011	¥ 491	$ 5
2012 and thereafter	2,766	29
	¥3,257	$35

Future minimum lease payments subsequent to March 31, 2010 for noncancelable operating leases were as follows:

Year ending March 31,	Millions of yen	Millions of U.S. dollars
2011	¥ 993	$ 10
2012 and thereafter	11,742	126
	¥12,735	$136

The following amounts represent the acquisition costs, accumulated depreciation and net book value of the leased assets as of March 31, 2010, 2009 and 2008 for finance lease transactions in which certain consolidated subsidiaries of the Company are the lessors and which are currently accounted for as operating leases:

	Millions of yen					
	2010			2009		
	Acquisition costs	Accumulated depreciation	Net book value	Acquisition costs	Accumulated depreciation	Net book value
Leased assets:						
Machinery, equipment and vehicles	**¥3,308**	**¥1,330**	**¥1,978**	¥3,443	¥1,061	¥2,382
Tools, furniture and fixtures	**2,766**	**1,807**	**959**	3,744	2,098	1,646
	¥6,075	**¥3,137**	**¥2,937**	¥7,188	¥3,160	¥4,028

	Millions of yen		
	2008		
	Acquisition costs	Accumulated depreciation	Net book value
Leased assets:			
Machinery, equipment and vehicles	¥3,678	¥ 833	¥2,845
Tools, furniture and fixtures	4,328	1,877	2,451
	¥8,007	¥2,710	¥5,296

	Millions of U.S. dollars		
	2010		
	Acquisition costs	Accumulated depreciation	Net book value
Leased assets:			
Machinery, equipment and vehicles	**$35**	**$14**	**$21**
Tools, furniture and fixtures	**29**	**19**	**10**
	$65	**$33**	**$31**

Lease receipts relating to finance leases accounted for as operating leases for the years ended March 31, 2010, 2009 and 2008 were ¥950 million ($10 million), ¥1,327 million and ¥1,363 million, respectively. Depreciation expense of the leased assets for the years ended March 31, 2010, 2009 and 2008 computed by the straight-line method over the respective lease terms amounted to ¥870 million ($9 million), ¥1,229 million and ¥1,254 million, respectively.

Future minimum lease receipts (including the interest portion thereon) subsequent to March 31, 2010 for finance leases accounted for as operating leases are summarized as follows:

Year ending March 31,	Millions of yen	Millions of U.S. dollars
2011	¥ 931	$10
2012 and thereafter	2,292	24
	¥3,224	$34

Future minimum lease receipts subsequent to March 31, 2010 for noncancelable operating leases were as follows:

Year ending March 31,	Millions of yen	Millions of U.S. dollars
2011	¥ 469	$ 5
2012 and thereafter	3,564	38
	¥4,033	$43

15. RETIREMENT BENEFIT PLANS

The Company and its consolidated subsidiaries have unfunded lump-sum severance and retirement benefit plans covering substantially all employees who are entitled to lump-sum payments, the amounts of which are determined by reference to their basic rates of pay, length of service and the conditions under which termination of employment occurs. Certain consolidated subsidiaries have a funded defined contribution pension plan administered by a government agency.

The funded and accrued status of the retirement benefit plans of the Company and its consolidated subsidiaries and the amounts recognized in the accompanying consolidated balance sheets at March 31, 2010, 2009 and 2008 are summarized as follows:

	Millions of yen			Millions of U.S. dollars
	2010	2009	2008	**2010**
Retirement benefit obligation	**¥(365,596)**	¥(373,335)	¥(377,161)	**$(3,931)**
Plan assets at fair value	**9,313**	8,879	10,927	**100**
Unfunded retirement benefit obligation	**(356,282)**	(364,455)	(366,233)	**(3,830)**
Unrecognized net retirement benefit obligation at transition	**4,906**	36,365	67,824	**52**
Unrecognized actuarial loss	**28,635**	37,536	43,747	**307**
Unrecognized prior service cost	**(1,541)**	(1,772)	(2,004)	**(16)**
Net retirement benefit obligation	**(324,281)**	(292,326)	(256,666)	**(3,486)**
Prepaid pension cost	**519**	448	372	**5**
Accrued retirement benefits	**¥(324,801)**	¥(292,774)	¥(257,038)	**$(3,492)**

The components of retirement benefit expenses for the years ended March 31, 2010, 2009 and 2008 are outlined as follows:

	Millions of yen			Millions of U.S. dollars
	2010	2009	2008	**2010**
Service cost	**¥15,189**	¥15,315	¥15,656	**$163**
Interest cost	**7,391**	7,459	7,450	**79**
Expected return on plan assets	**(174)**	(234)	(262)	**(1)**
Amortization of net retirement benefit obligation at transition	**31,462**	31,458	31,458	**338**
Amortization of actuarial loss	**7,530**	7,573	7,208	**80**
Amortization of prior service cost	**82**	(231)	2,582	**0**
Expense recorded at certain consolidated subsidiaries on change in measurement of retirement benefit obligation from the simplified method to the principle method	**740**	—	—	**7**
	¥62,220	¥61,341	¥64,093	**$669**

The assumptions used in accounting for the above retirement benefit plans were as follows:

	2010	2009	2008
Discount rate	**Principally 2.0%**	Principally 2.0%	Principally 2.0%
Expected rate of return on plan assets	**Principally 2.5%**	Principally 2.5%	Principally 2.5%

16. CONTINGENT LIABILITIES

At March 31, 2010, the Company and its consolidated subsidiaries were contingently liable for guarantees of loans to companies other than consolidated subsidiaries in the aggregate amount of ¥8,600 million ($92 million).

The Company expects further expenditures to be incurred in subsequent years relating to the payment of compensation for a train accident on the Fukuchiyama Line, which occurred on April 25, 2005, as well as other related costs; however, it is unable to estimate the amounts of such expenditures on a reasonable basis at the present time.

17. SHAREHOLDERS' EQUITY

The Corporation Law of Japan (the "Law") provides that an amount equal to 10% of the amount to be disbursed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the capital stock account. Such distributions can be made at any time by resolution of the shareholders, or by the Board of Directors if certain conditions are met.

Additional paid-in capital is presented as capital surplus and the legal reserve is included in retained earnings in the accompanying consolidated balance sheets and consolidated statements of changes in net assets. The Company's legal reserve amounted to ¥11,327 million ($121 million) at March 31, 2010, 2009 and 2008.

Common stock and treasury stock

Movements in shares of common stock in issue and treasury stock during the years ended March 31, 2010, 2009 and 2008 are summarized as follows:

				Number of shares
	March 31, 2009	Increase	Decrease	**March 31, 2010**
Common stock	2,000,000	—	—	**2,000,000**
Treasury stock	63,584	—	—	**63,584**

				Number of shares
	March 31, 2008	Increase	Decrease	March 31, 2009
Common stock	2,000,000	—	—	2,000,000
Treasury stock	18,365	45,219	—	63,584

				Number of shares
	March 31, 2007	Increase	Decrease	March 31, 2008
Common stock	2,000,000	—	—	2,000,000
Treasury stock	885	17,480	—	18,365

18. AMOUNTS PER SHARE

Amounts per share at March 31, 2010, 2009 and 2008 and for the years then ended were as follows:

			Yen	U.S. dollars
	2010	2009	2008	**2010**
Net assets	**¥345,568.31**	¥339,113.24	¥322,294.60	**$3,715**
Net income	**12,837.31**	27,729.03	28,954.78	**138**
Cash dividends	**7,000.00**	7,000.00	6,000.00	**75**

Net assets per share have been computed based on the number of shares of common stock outstanding at each balance sheet date.

Net income per share has been computed based on the net income available for distribution to shareholders of common stock and the weighted-average number of shares of common stock outstanding during each year. Diluted net income per share has not been presented for the years ended March 31, 2010, 2009 and 2008 since the Company had no potentially dilutive stock at March 31, 2010, 2009 and 2008.

Cash dividends per share represent the cash dividends proposed by the Board of Directors as applicable to the respective fiscal years together with the interim cash dividends paid.

19. FINANCIAL INSTRUMENTS

Effective the year ended March 31, 2010, the Company and its consolidated subsidiaries have applied "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10 issued on March 10, 2008) and "Guidance on Accounting Standard for Financial Instruments" (ASBJ Guidance No.19 issued on March 10, 2008).

Overview

(1) Policy for financial instruments

The Company and its consolidated subsidiaries (collectively, the "Group") raise funds mainly through bonds and bank borrowings mainly for the purpose of settlement of existing payables and capital investment. The Group manages temporary cash surpluses through low-risk financial assets. Further, the Group raises short-term working capital mainly through short-term bonds. The Group uses derivatives for the purpose of reducing risk and does not enter into derivatives for speculative or trading purposes.

(2) Types of financial instruments and related risk

Trade receivables—trade notes and accounts receivable—are exposed to credit risk in relation to customers. Investments in securities are exposed to market risk. Those securities are mainly composed of the shares of common stock of other companies with which the Group has business relationships, or affiliated companies.

Substantially all trade payables—trade notes and accounts payable and deposits and advances received—have payment due dates within one year. The Group is also exposed to foreign currency exchange risk arising from trade payables denominated in foreign currencies. However, regarding trade payables denominated in foreign currencies arising from organized foreign tours, forward foreign exchange contracts are principally arranged to reduce the risk. Bonds and bank borrowings are taken out principally for the purpose of settlement of existing payables and capital investments. The redemption dates of these long-term debts extend up to twenty-four years from March 31, 2010. Some of them have variable interest rates and are exposed to interest rate fluctuation risk. Long-term payables are mainly derived from the purchase of Sanyo Shinkansen's facilities. These payables are settled by installments once every six months. The repayment dates of these payables extend up to forty-one years from March 31, 2010. Some of these payables have variable interest rates and are exposed to interest rate fluctuation risk.

Regarding derivatives, the Group enters into forward foreign exchange contracts to reduce the foreign currency exchange risk arising from trade payables denominated in foreign currencies.

Information regarding the method of hedge accounting is found in Note 1(18).

(3) Risk management for financial instruments

(a) Monitoring of credit risk (the risk that customers or counterparties may default)

In accordance with the internal policies of the Group for managing credit risk arising from trade receivables, the Group monitors due dates and outstanding balances by individual customer. The Group is also making efforts to identify and mitigate risks arising from bad debts from customers who are having financial difficulties.

The Group enters into derivative transactions only with financial institutions which have a sound credit profile to mitigate counterparty risk. At the balance sheet date, the carrying values of the financial assets in the consolidated balance sheets represent the maximum credit risk exposures of the Group.

(b) Monitoring of market risk (the risk arising from fluctuations in foreign currency exchange rates, interest rates and others)

For trade payables denominated in foreign currencies, certain consolidated subsidiaries identify the foreign currency exchange risk for each currency on a monthly basis and enter into forward foreign exchange contracts to hedge such risk. For trade payables denominated in foreign currencies arising from forecasted transactions to occur within six months regarding organized foreign tours, forward foreign exchange contracts are principally arranged considering the actual results in the past and the circumstances of the tour reservations.

For marketable securities and investment securities, the Group periodically reviews the fair values of such financial instruments and the financial position of the issuers. In addition, the Group continuously evaluates whether securities other than those classified as held-to-maturity debt securities should be maintained taking into account their fair values and relationships with the issuers.

For derivative transactions performed by certain consolidated subsidiaries, the basic policy is approved at a meeting once a half year in accordance with internal policy. In accordance with the approval, each accounting division enters into derivative transactions and reconciles outstanding balances with those of the counterparties. The control division of the Company monitors these risks based on the application from each operating division of each branch of certain consolidated subsidiaries. In addition, internal audit division of the Company periodically monitors them.

(c) Monitoring of liquidity risk (the risk that the Group may not be able to meet its obligations on scheduled due dates)

Based on reports from each division of the Company and affiliated companies, the Company prepares and updates their cash flow plans on a timely basis to manage liquidity risk. In addition, the Company has the method of keeping the liquidity level stable to a certain extent by entering into commitment line contracts to enable the Company to raise funds in accordance with the policies determined in advance.

(4) Supplementary explanation of the estimated fair value of financial instruments

The fair value of financial instruments is determined based on their quoted market price, if available. When there is no available quoted market price, fair value is reasonably estimated. Since various variable factors are reflected in estimating the fair value, different factors could result in different fair values. In addition, the notional amounts of derivatives in the following "Estimated Fair Value of Financial Instruments" section are not necessarily indicative of the actual market risk involved in derivative transactions.

Estimated Fair Value of Financial Instruments

The carrying value of financial instruments on the consolidated balance sheet as of March 31, 2010 and estimated fair value are shown in the following table. The following table does not include financial instruments for which it is extremely difficult to determine the fair value (Refer to 2 in Note 19).

	Millions of yen			Millions of U.S. dollars		
	2010			2010		
	Carrying value	Estimated fair value	Difference	Carrying value	Estimated fair value	Difference
Assets:						
Cash	¥ 51,314	¥ 51,314	¥ —	$ 551	$ 551	$ —
Notes and accounts receivable	14,282	14,282	—	153	153	—
Accrued fare (included in notes and accounts receivables)	22,714	22,714	—	244	244	—
Other accounts receivable (included in notes and accounts receivables)	42,038	42,038	—	452	452	—
Investments in securities:						
Other securities	8,543	8,543	—	91	91	—
Liabilities:						
Short-term loans	(12,932)	(12,932)	—	(139)	(139)	—
Notes and accounts payable	(47,999)	(47,999)	—	(516)	(516)	—
Other accounts payable (included in notes and accounts payable and accrued expenses)	(102,385)	(102,385)	—	(1,100)	(1,100)	—
Accrued income taxes (included in accrued income taxes and accrued expenses)	(13,793)	(13,793)	—	(148)	(148)	—
Deposits (included in deposits and advances received)	(52,150)	(52,150)	—	(560)	(560)	—
Bonds	(384,968)	(404,502)	(19,534)	(4,139)	(4,349)	(210)
Long-term loans (including current portion of long-term loans)	(294,249)	(299,927)	(5,678)	(3,163)	(3,225)	(61)
Long-term payables for purchase of railway facilities (including current portion of long-term payables)	(359,494)	(491,197)	(131,702)	(3,865)	(5,281)	(1,416)
Other long-term payables(including current portion of long-term payables)	(253)	(271)	(18)	(2)	(2)	(0)
Derivative transactions which were accounted for by hedge accounting (included in prepaid expenses and other current assets)	(231)	(231)	—	(2)	(2)	—

Notes: 1 Methods to determine the estimated fair value of financial instruments and other matters related to securities and derivative transactions

Cash, trade notes and accounts receivable, accrued fare and other accounts receivable
Since these items are settled in a short period of time, their carrying value approximates fair value.

Investments in securities
The fair value of stocks is determined based on quoted market prices. The fair value of debt securities is determined based on either quoted market prices or present value of the future cash flows discounted by the interest rate which is determined using the interest rate of national bonds plus a credit spread premium.

Short-term loans, trade notes and accounts payable, deposits, accrued income taxes and other account payables
Since these items are settled in a short period of time, their carrying value approximates fair value.

Bonds (including current portion)
The fair value of bonds is determined based on the quoted market price.

Long-term borrowings and other long-term payables
The fair value of long-term borrowings and long-term payables are determined based on the present value of the total amounts of principal and interest payment discounted at an interest rate to be applied if similar new borrowings were entered into.

Long-term payables for purchase of railway facilities (including current portion)
Long-term payables for purchase of railway facilities are monetary liabilities assumed under a special law, and it is difficult for the Company to raise funds again in the same manner. The fair value of such long-term payables are determined based on the present value of the total amounts of principal and interest payment discounted at an interest rate to be applied if similar new bonds were issued.

Derivatives transactions
The fair value of derivatives transactions is based on the prices obtained from financial institutions.

2 Financial instruments for which it is extremely difficult to determine the fair value are summarized as follows:

	Millions of yen	Millions of U.S. dollars
Investments in securities		
Unlisted stocks	¥50,738	$545
Other	44	0

Because no quoted market price is available and also the future cash flows cannot be estimated reasonably, it is extremely difficult to determine the fair value. Therefore, the above financial instruments are not included in amounts presented in the table in 1 in this note.

3 The redemption schedule for receivables and marketable securities with maturities at March 31, 2010 is as follows:

	Millions of yen			Millions of U.S. dollars		
	Due in one year or less	Due after one year through five years	Due after five year through ten years	Due in one year or less	Due after one year through five years	Due after five years through ten years
Cash	**¥ 41,607**	**¥ —**	**¥ —**	**$ 447**	**$ —**	**$ —**
Notes and accounts receivable	**14,243**	**39**	**—**	**153**	**0**	**—**
Accrued fare (included in notes and accounts receivables)	**22,714**	**—**	**—**	**244**	**—**	**—**
Other accounts receivable (included in notes and accounts receivables)	**42,035**	**2**	**0**	**451**	**0**	**0**
Investments in securities						
Other marketable securities with maturities (national government bonds)	**—**	**37**	**—**	**—**	**0**	**—**
Other marketable securities with maturities (corporate bonds)	**6**	**25**	**18**	**0**	**0**	**0**
Total	**¥120,606**	**¥103**	**¥19**	**$1,296**	**$ 1**	**$ 0**

4 The redemption schedules for long-term debt and long-term payables are disclosed in Note 9 "Short-Term Loans and Long-Term Debt" and Note 11 "Long-Term Payables" in the Notes to Consolidated Financial Statements.

20. INVESTMENT AND RENTAL PROPERTIES

Effective the year ended March 31, 2010, the Company has adopted a new accounting standard for disclosures regarding fair value of investment and rental real estate properties and related implementation guidance.

The Company and certain consolidated subsidiaries own office buildings for lease, commercial facilities including lands and rental housing, mainly in Osaka Prefecture and other areas.

Rental income, net of related expenses relevant to these real estate properties amounted to ¥24,718 million ($265 million) for the year ended March 31, 2010. The rental income is recorded under operating revenues or other income and the rental expenses are recorded under operating expenses or other expenses.

The carrying value in the consolidated balance sheets and corresponding fair value of those properties are as follows:

Millions of yen				Millions of U.S. dollars			
Carrying value			Fair value	Carrying value			Fair value
As of March 31, 2009	Net change	As of March 31, 2010	As of March 31, 2010	As of March 31, 2009	Net change	As of March 31, 2010	As of March 31, 2010
¥100,214	¥10,896	¥111,110	¥203,145	$ 1,077	$ 117	$ 1,194	$ 2,184

Notes: 1 The carrying value represents the acquisition cost less accumulated depreciation and cumulative impairment loss.
2 The components of net change in carrying value included increases mainly due to acquisitions of real estate properties in the amount of ¥17,337 million ($186 million) and decreases mainly due to depreciation in the amount of ¥4,900 million ($52 million).
3 The fair value of main properties is estimated in accordance with appraisal standards for valuing real estate. The fair value of the others is based on book value or valuation amount which reasonably reflects market value.

21. SEGMENT INFORMATION

The Company and its consolidated subsidiaries are primarily engaged in railway, ferry, bus and other transportation services. They also engage in other activities such as sales of goods and food services and in the real estate business.

The business segment information of the Company and its consolidated subsidiaries for the years ended March 31, 2010, 2009 and 2008 is outlined as follows:

Millions of yen

2010	Transportation	Sales of goods and food services	Real estate business	Other	Total	Corporate and eliminations	Consolidated
I. Operating revenues and income:							
Operating revenues from third parties	¥ 797,490	¥201,995	¥ 70,953	¥119,695	¥1,190,135	¥ —	¥1,190,135
Intersegment operating revenues and transfers	16,047	46,582	13,796	167,230	243,657	(243,657)	—
Operating revenues	813,538	248,578	84,749	286,925	1,433,792	(243,657)	1,190,135
Operating expenses	768,335	245,404	62,237	280,196	1,356,175	(242,569)	1,113,605
Operating income	¥ 45,202	¥ 3,174	¥ 22,511	¥ 6,729	¥ 77,617	¥ (1,087)	¥ 76,530
II. Total assets, depreciation and amortization, loss on impairment of fixed assets and capital expenditures:							
Total assets	¥1,874,303	¥111,147	¥324,904	¥260,732	¥2,571,087	¥ (24,703)	¥2,546,384
Depreciation and amortization	120,107	5,169	11,640	4,986	141,903	—	141,903
Loss on impairment of fixed assets	—	169	713	2,384	3,266	—	3,266
Capital expenditures	198,386	4,255	37,524	6,140	246,308	—	246,308

Millions of yen

2009	Transportation	Sales of goods and food services	Real estate business	Other	Total	Corporate and eliminations	Consolidated
I. Operating revenues and income:							
Operating revenues from third parties	¥ 856,184	¥215,371	¥ 71,140	¥132,612	¥1,275,308	¥ —	¥1,275,308
Intersegment operating revenues and transfers	16,439	44,974	13,073	168,335	242,823	(242,823)	—
Operating revenues	872,624	260,345	84,213	300,947	1,518,131	(242,823)	1,275,308
Operating expenses	783,500	255,568	61,595	294,220	1,394,884	(242,095)	1,152,789
Operating income	¥ 89,124	¥ 4,776	¥ 22,618	¥ 6,727	¥ 123,246	¥ (727)	¥ 122,519
II. Total assets, depreciation and amortization, loss on impairment of fixed assets and capital expenditures:							
Total assets	¥1,831,341	¥ 99,729	¥306,405	¥255,672	¥2,493,150	¥ (31,261)	¥2,461,889
Depreciation and amortization	115,792	3,317	11,334	6,564	137,009	—	137,009
Loss on impairment of fixed assets	51	—	—	—	51	—	51
Capital expenditures	160,407	2,522	26,544	8,320	197,793	—	197,793

Millions of yen

2008	Transportation	Sales of goods and food services	Real estate business	Other	Total	Corporate and eliminations	Consolidated
I. Operating revenues and income:							
Operating revenues from third parties	¥ 861,273	¥212,803	¥ 76,757	¥139,356	¥1,290,190	¥ —	¥1,290,190
Intersegment operating revenues and transfers	16,577	42,772	13,883	165,640	238,873	(238,873)	—
Operating revenues	877,850	255,576	90,640	304,996	1,529,064	(238,873)	1,290,190
Operating expenses	780,371	250,305	65,994	293,959	1,390,631	(237,853)	1,152,777
Operating income	¥ 97,479	¥ 5,270	¥ 24,646	¥ 11,036	¥ 138,433	¥ (1,020)	¥ 137,413
II. Total assets, depreciation and amortization, loss on impairment of fixed assets and capital expenditures:							
Total assets	¥1,846,782	¥ 89,093	¥305,049	¥266,962	¥2,507,888	¥ (45,056)	¥2,462,831
Depreciation and amortization	107,026	2,866	11,665	6,527	128,085	—	128,085
Loss on impairment of fixed assets	4,103	—	—	—	4,103	—	4,103
Capital expenditures	194,365	5,320	15,686	9,215	224,588	—	224,588

Millions of U.S. dollars

2010	Transportation	Sales of goods and food services	Real estate business	Other	Total	Corporate and eliminations	Consolidated
I. Operating revenues and income:							
Operating revenues from third parties	**$ 8,575**	**$2,171**	**$ 762**	**$1,287**	**$12,797**	**$ —**	**$12,797**
Intersegment operating revenues and transfers	**172**	**500**	**148**	**1,798**	**2,619**	**(2,619)**	**—**
Operating revenues	**8,747**	**2,672**	**911**	**3,085**	**15,417**	**(2,619)**	**12,797**
Operating expenses	**8,261**	**2,638**	**669**	**3,012**	**14,582**	**(2,608)**	**11,974**
Operating income	**$ 486**	**$ 34**	**$ 242**	**$ 72**	**$ 834**	**$ (11)**	**$ 822**
II. Total assets, depreciation and amortization, loss on impairment of fixed assets and capital expenditures:							
Total assets	**$20,153**	**$1,195**	**$3,493**	**$2,803**	**$27,646**	**$ (265)**	**$27,380**
Depreciation and amortization	**1,291**	**55**	**125**	**53**	**1,525**	**—**	**1,525**
Loss on impairment of fixed assets	**—**	**1**	**7**	**25**	**35**	**—**	**35**
Capital expenditures	**2,133**	**45**	**403**	**66**	**2,648**	**—**	**2,648**

As described in Note 2(7), in accordance with the 2007 revision of the Corporate Tax Law, the method of accounting for depreciation of property, plant and equipment was changed to the procedure stipulated in the revised law. Consequently, operating expenses of the "Transportation" segment, "Sales of goods and food services" segment, "Real estate business" segment and "Other" segment increased by ¥8,809 million, ¥86 million, ¥332 million and ¥205 million, respectively, for the year ended March 31, 2008 over the corresponding amounts which would have been recorded under the previous method. In addition, operating income of each segment decreased by the same amount as that of the corresponding increase in operating expenses mentioned above for each segment for the year ended March 31, 2008 from the corresponding amount which would have been recorded under the previous method.

On April 1, 2009, one consolidated subsidiary split up some businesses and was merged with another consolidated subsidiary. As a result of a review of the business segment considering the character of the business and actual control structure, leasing business operated by merging consolidated subsidiary and included in "Other" segment was changed to "Sales of goods and food services" segment for the year ended March 31, 2010.

The business segment information of the Company and its consolidated subsidiaries conformed with current classifications for the year ended March 31, 2009 is outlined as follows:

Millions of yen

	2009						
	Transportation	Sales of goods and food services	Real estate business	Other	Total	Corporate and eliminations	Consolidated
I. Operating revenues and income:							
Operating revenues from third parties	¥ 856,184	¥217,306	¥ 71,140	¥130,676	¥1,275,308	¥ —	¥1,275,308
Intersegment operating revenues and transfers	16,439	46,502	13,073	167,090	243,106	(243,106)	—
Operating revenues	872,624	263,808	84,213	297,767	1,518,414	(243,106)	1,275,308
Operating expenses	783,500	258,917	61,595	291,154	1,395,167	(242,378)	1,152,789
Operating income	¥ 89,124	¥ 4,891	¥ 22,618	¥ 6,612	¥ 123,247	¥ (727)	¥ 122,519
II. Total assets, depreciation and amortization, loss on impairment of fixed assets and capital expenditures:							
Total assets	¥1,831,341	¥110,688	¥306,405	¥259,180	¥2,507,616	¥ (45,727)	¥2,461,889
Depreciation and amortization	115,792	5,327	11,334	4,555	137,009	—	137,009
Loss on impairment of fixed assets	51	—	—	—	51	—	51
Capital expenditures	160,407	2,971	26,544	7,870	197,793	—	197,793

22. SUBSEQUENT EVENTS

(1) Based on a resolution approved at a meeting of the Board of Directors held on March 24, 2010, the Company determined to issue bonds on June 4, 2010. Details of the bond issuance are as follows:

Description	The 27th Series of West Japan Railway Bonds
Issuance date	June 11, 2010
Total issuance amount	¥15,000 million ($161 million)
Issue price	¥100 ($1.07) with a face value of ¥100 ($1.07)
Annual interest rate	1.360%
Type	Unsecured
Maturity	June 11, 2020
Usage of funds	Repayment of long-term payables and loans

Description	The 28th Series of West Japan Railway Bonds
Issuance date	June 11, 2010
Total issuance amount	¥15,000 million ($161 million)
Issue price	¥100 ($1.07) with a face value of ¥100 ($1.07)
Annual interest rate	2.111%
Type	Unsecured
Maturity	June 11, 2030
Usage of funds	Repayment of long-term payables and loans

(2) At a meeting held on May 18, 2010, the Board of Directors of the Company proposed the following distribution of retained earnings, which has not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2010, and which is to be approved at a meeting of the shareholders of the Company to be held on June 23, 2010:

	Millions of yen	Millions of U.S. dollars
Cash dividends (¥3,500 = U.S.$37 per share)	¥6,780	$72

Report of Independent Auditors

The Board of Directors
West Japan Railway Company

We have audited the accompanying consolidated balance sheets of West Japan Railway Company and consolidated subsidiaries as of March 31, 2010, 2009 and 2008, and the related consolidated statements of income, changes in net assets, and cash flows for the years then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of West Japan Railway Company and consolidated subsidiaries at March 31, 2010, 2009 and 2008, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

Supplemental Information

As described in Note 2 (7) to the consolidated financial statements, the Company and its consolidated subsidiaries changed their method of accounting for depreciation of property, plant and equipment effective the year ended March 31, 2008.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2010 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1.

Ernst & Young ShinNihon LLC

Osaka, Japan
June 22, 2010

Ernst & Young ShinNihon LLC

Analysis of JR-West Operations

Non-Consolidated 20-Year Financial Summary

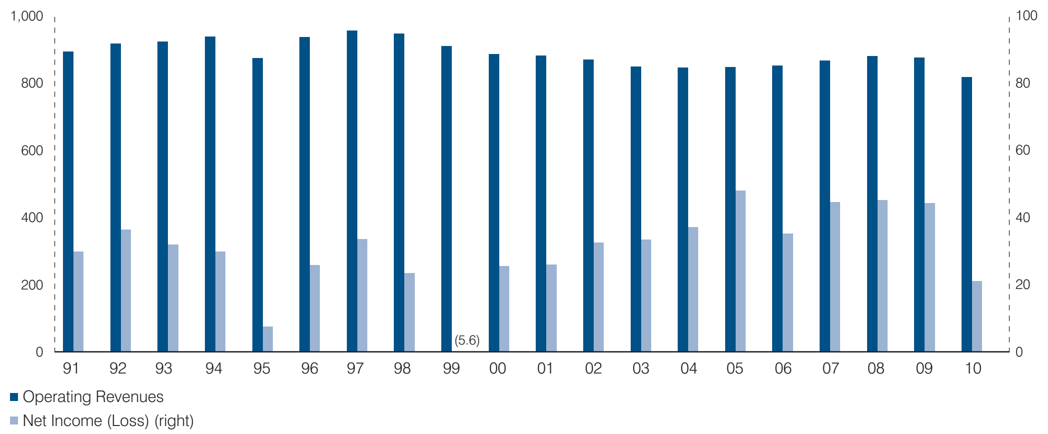
Years ended March 31

	1991	1992	1993	1994	1995[2]	1996	1997	1998	1999[3]
FOR THE YEAR:									
Operating revenues:	¥892.3	¥917.2	¥922.5	¥937.6	¥874.1	¥936.2	¥956.0	¥946.0	¥909.4
Transportation:	801.8	819.0	820.4	824.9	767.5	823.9	839.1	830.0	795.5
Sanyo Shinkansen	353.3	359.7	357.6	362.3	307.8	332.2	350.3	346.0	326.7
Kyoto–Osaka–Kobe area	262.7	271.8	278.7	280.1	285.3	314.8	314.4	315.3	309.8
Other lines	185.0	186.7	183.2	181.6	173.6	176.1	173.7	167.9	158.4
Operating expenses:	769.8	789.4	778.2	801.0	773.0	795.9	825.9	831.1	796.7
Personnel	289.2	303.4	318.3	329.8	334.4	341.8	350.9	358.5	357.8
Non-personnel:	301.1	311.9	294.7	317.2	295.5	305.7	326.5	301.2	277.7
Energy	43.1	43.4	43.6	43.8	41.4	43.3	42.4	43.8	40.5
Maintenance	139.9	143.2	127.4	136.4	124.8	128.4	146.7	120.9	108.0
Miscellaneous	117.9	125.2	123.6	136.9	129.2	134.0	137.3	136.5	129.2
Taxes	19.7	21.6	25.8	26.4	20.6	29.1	27.1	38.0	31.3
Rental payments, etc.	5.8	5.8	5.8	5.9	7.9	9.0	10.0	23.0	22.8
Depreciation expenses	79.8	109.9	133.3	121.5	114.4	110.0	111.2	110.2	107.0
Operating income	122.4	127.8	144.3	136.5	101.1	140.3	130.0	114.8	112.7
Recurring profit	87.5	66.1	55.7	54.7	20.4	55.6	56.0	48.3	50.5
Net income (loss)	29.8	36.4	31.9	29.8	7.5	25.8	33.5	23.4	(5.6)
AT YEAR-END:									
Total assets	¥1,314.2	¥2,297.1[4]	¥2,306.5	¥2,327.9	¥2,355.1	¥2,297.9	¥2,333.4	¥2,277.2	¥2,242.0
Total net assets	217.2	238.6	260.4	280.1	277.5	293.2	316.6	327.8	312.0

1 Yen figures have been converted into U.S. dollars at the rate of ¥93=U.S.$1.00, the exchange rate prevailing on March 31, 2010.
2 The Hanshin-Awaji Earthquake occurred in January 1995.
3 In accordance with the Law on the Disposition of the Liability owned by the Japan National Railways Settlement Corporation, the Company paid ¥44.5 billion to the Japan Railways Group Mutual Aid Association in March 1999.
4 The Company purchased the Sanyo Shinkansen Line properties from Shinkansen Holding Corporation for a total purchase price of ¥974.1 billion in October 1991.

OPERATING REVENUES AND NET INCOME (LOSS)

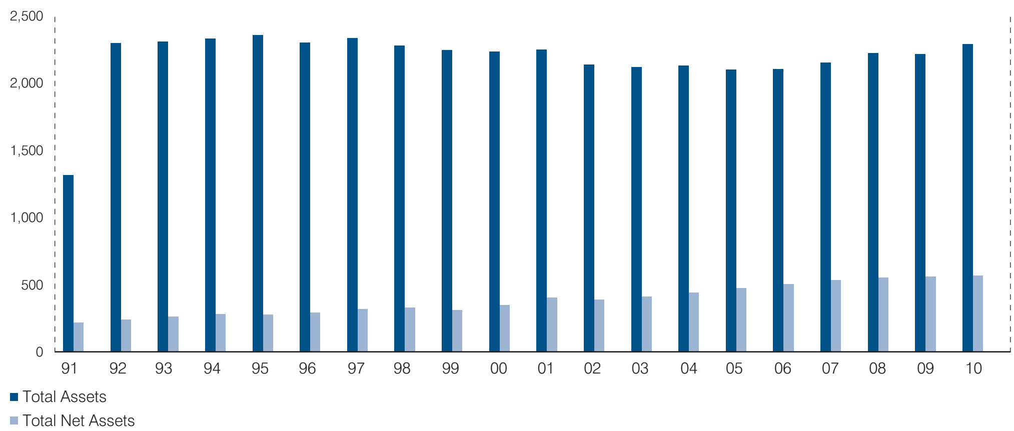
Billions of yen



										Billions of yen	Millions of U.S. dollars[1]
2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	**2010**	**2010**
¥885.1	¥881.4	¥869.8	¥849.0	¥845.8	¥846.4	¥851.2	¥865.8	¥879.4	¥875.0	**¥816.7**	**$8,782**
773.9	773.1	770.2	752.3	750.8	750.9	756.5	765.8	781.7	773.7	**720.0**	**7,742**
313.0	313.0	314.3	306.0	308.1	313.4	323.8	328.6	343.5	339.1	**312.4**	**3,359**
306.9	309.3	308.9	303.3	302.0	300.4	297.5	302.4	303.3	301.5	**286.1**	**3,076**
153.5	150.1	146.4	142.5	140.0	136.5	134.7	134.3	134.4	132.5	**121.4**	**1,305**
786	784.4	770.3	745.7	740.4	736.4	742.3	756.8	769.6	772.9	**758.2**	**8,153**
350.1	345.6	330.5	301.6	294.5	286.8	276.1	272.5	269.9	268.6	**265.2**	**2,852**
276.5	275.0	281.2	288.2	291.0	300.5	320.0	337.9	338.8	333.9	**318.6**	**3,426**
39.3	38.2	39.2	38.4	36.6	36.9	34.8	34.3	34.4	38.2	**33.5**	**360**
112.3	114.3	116.8	122.6	121.9	127.1	140.7	148.9	148.6	135.8	**128.1**	**1,377**
124.9	122.4	125.1	127.1	132.4	136.4	144.4	154.5	155.8	159.8	**156.9**	**1,687**
31.0	30.3	30.0	29.3	28.2	29.7	28.7	28.1	28.6	29.1	**29.3**	**315**
23.8	31.5	31.3	31.0	30.8	24.6	24.7	24.6	24.6	25.3	**25.0**	**269**
104.4	101.8	97.1	95.4	95.7	94.5	92.5	93.5	107.5	115.9	**119.9**	**1,289**
99.0	97.0	99.5	103.2	105.4	110.0	108.9	108.9	109.8	102.0	**58.5**	**629**
42.3	43.4	54.0	61.3	65.0	74.3	75.9	77.6	79.9	73.4	**29.8**	**320**
25.5	25.9	32.5	33.4	37.1	48.0	35.1	44.6	45.1	44.3	**20.5**	**220**
¥2,232.6	¥2,247.8	¥2,135.7	¥2,116.8	¥2,126.8	¥2,098.0	¥2,102.1	¥2,151.8	¥2,222.9	¥2215.1	**¥2,286.9**	**$24,590**
346.6	403.3	388.6	410.7	439.3	474.3	502.2	533.3	552.4	560.7	**568.1**	**6,109**

TOTAL ASSETS AND TOTAL NET ASSETS

Billions of yen



Capital Expenditures and Cash Flows

Years ended March 31

Capital Expenditures

	Billions of yen												Millions of U.S. dollars[1]
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	**2010**	**2010**
CONSOLIDATED BASIS:													
Depreciation expenses	¥125.0	¥122.6	¥120.0	¥115.1	¥113.0	¥115.3	¥113.6	¥111.9	¥112.8	¥128.0	¥137.0	**¥141.9**	**$1,525**
Capital expenditures excluding a portion contributed by local governments, etc.	96.8	100.6	86.3	88.3	105.4	120.8	113.1	125.3	144.9	187.9	163.9	**210.1**	**2,259**
NON-CONSOLIDATED BASIS:													
Depreciation expenses	¥107.0	¥104.4	¥101.8	¥ 97.1	¥ 95.4	¥ 95.7	¥ 94.5	¥ 92.5	¥ 93.5	¥107.5	¥115.9	**¥119.9**	**$1,289**
Capital expenditures excluding a portion contributed by local governments, etc.	84.4	100.0	71.8	89.2	85.7	102.3	92.8	106.3	117.2	159.6	128.4	**165.5**	**1,780**

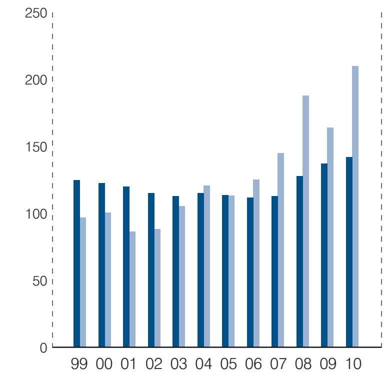
Cash Flows (Consolidated Basis)

	Billions of yen												Millions of U.S. dollars[1]
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	**2010**	**2010**
Net cash provided by operating activities	—	¥154.7	¥138.7	¥99.5	¥130.2	¥140.2	¥142.9	¥164.0	¥188.6	¥222.1	¥178.8	**¥161.3**	**$1,734**
Net cash (used in) provided by investing activities	—	(99.2)	9.4	17.7	(63.3)	(91.6)	(84.9)	(101.7)	(131.7)	(179.2)	(172.6)	**(208.7)**	**(2,244)**
Free cash flows	—	55.5	148.1	117.3	66.8	48.5	58.0	62.3	56.8	42.9	6.1	**(47.4)**	**(510)**
Net cash (used in) provided by financing activities	—	(66.5)	(133.2)	(167.1)	(71.5)	(67.9)	(66.4)	(69.3)	(54.6)	(55.8)	(10.1)	**54.6**	**587**

1 Yen figures have been converted into U.S. dollars at the rate of ¥93=U.S.$1.00, the exchange rate prevailing on March 31, 2010.

DEPRECIATION AND CAPITAL EXPENDITURES (CONSOLIDATED BASIS)

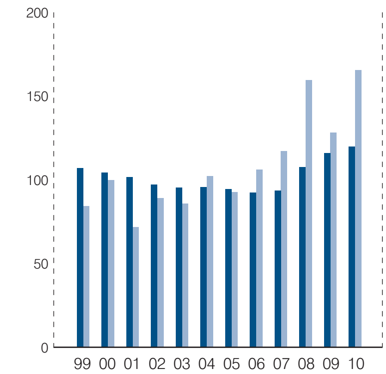
Billions of yen



■ Depreciation
■ Capital Expenditures Excluding a Portion Contributed by Local Governments, etc.

DEPRECIATION AND CAPITAL EXPENDITURES (NON-CONSOLIDATED BASIS)

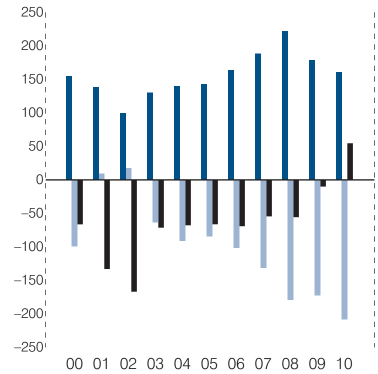
Billions of yen



■ Depreciation
■ Capital Expenditures Excluding a Portion Contributed by Local Governments, etc.

CASH FLOWS

Billions of yen

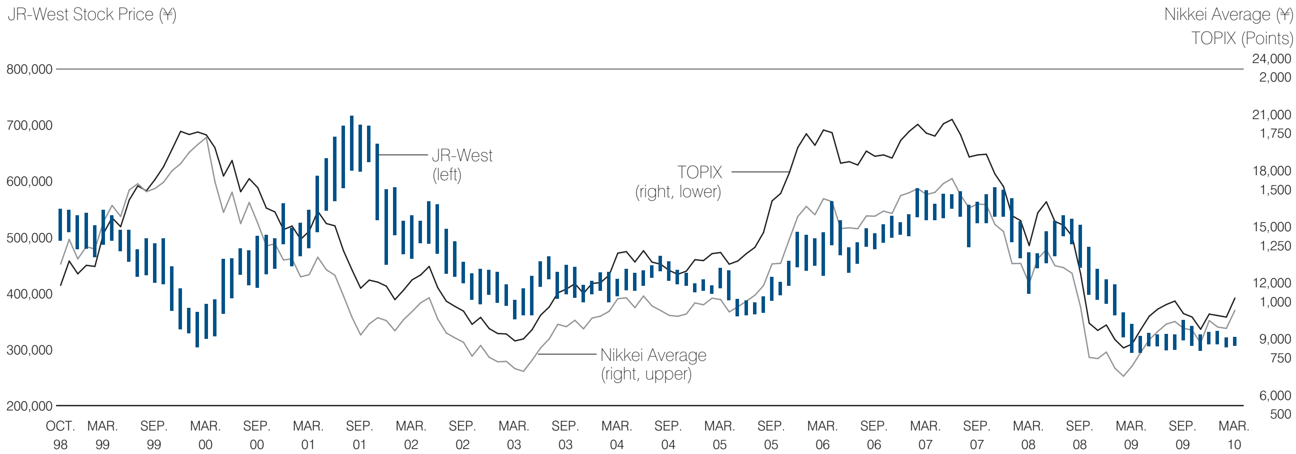


■ Net Cash Provided by Operating Activities
■ Net Cash (Used in) Provided by Investing Activities
■ Net Cash (Used in) Provided by Financing Activities

Investor Information

As of March 31, 2010

Stock Price and Trading Volume



	Fiscal 1999	Fiscal 2000		Fiscal 2001		Fiscal 2002		Fiscal 2003		Fiscal 2004	
	2H	1H	2H	1H	2H	1H	2H	1H	2H	1H	2H
JR-West High (¥)	552,000	540,000	499,000	503,000	562,000	718,000	700,000	565,000	445,000	467,000	448,000
Low (¥)	465,000	420,000	305,000	324,000	435,000	510,000	452,000	419,000	355,000	362,000	385,000
Average Daily Trading Volume (Shares)	1111.34	1408.39	1438.86	1636.97	2151.64	3067.06	3827.91	2472.75	2164.39	3,136.44	5,045.71
Nikkei Average (¥)	15,836.59	17,605.46	20,337.32	15,747.26	12,999.70	9,774.68	11,024.94	9,383.29	7,972.71	10,219.05	11,715.39
TOPIX (Points)	1267.22	1506.83	1705.94	1470.78	1277.27	1023.42	1060.19	921.05	788.00	1,018.80	1,179.23

	Fiscal 2005		Fiscal 2006		Fiscal 2007		Fiscal 2008		Fiscal 2009		Fiscal 2010	
	1H	2H	1H	2H	1H	2H	1H	2H	1H	2H	1H	2H
JR-West High (¥)	468,000	446,000	442,000	511,000	565,000	588,000	583,000	590,000	540,000	484,000	354,000	343,000
Low (¥)	406,000	400,000	360,000	398,000	438,000	491,000	484,000	400,000	446,000	294,900	295,200	299,300
Average Daily Trading Volume (Shares)	6,500.51	5,313.89	8,400.19	8,021.32	6,166.66	6,884.86	6,480.94	8,616.20	6,952.20	9,125.13	7,827.85	6,609.59
Nikkei Average (¥)	10,823.57	11,668.95	13,574.30	17,059.66	16,127.58	17,287.65	16,785.69	12,525.54	11,259.86	8,109.53	10,133.23	11,089.94
TOPIX (Points)	1,102.11	1,182.18	1,412.28	1,728.16	1,610.73	1,713.61	1,616.62	1,212.96	1,087.41	773.66	909.84	978.81

• Based on prices on the First Section of the Tokyo Stock Exchange.
• The closing prices for the Nikkei Index and TOPIX are recorded at the end of the period (month).

Number of Shareholders: 165,393

Major Shareholders

	Number of Shares Held (Shares)	Equity Ownership (%)
Japan Trustee Services Bank, Ltd. (Trust Unit)	91,716	4.59
The Master Trust Bank of Japan, Ltd. (Trust Unit)	87,623	4.38
Mizuho Corporate Bank, Ltd.	64,500	3.23
Sumitomo Mitsui Banking Corporation	64,000	3.20
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	63,000	3.15
JR-West Employee Stock-Sharing Plan	44,047	2.20
Nippon Life Insurance Company	35,000	1.75
The Sumitomo Trust & Banking Co., Ltd.	32,000	1.60
The Dai-ichi Mutual Life Insurance Company	30,000	1.50
State Street Bank and Trust Company 505225	26,987	1.35
Total	538,873	26.94

Consolidated Subsidiaries

As of March 31, 2010

SEGMENT	NAME	PAID-IN CAPITAL (Millions of yen)	BUSINESS	EQUITY OWNERSHIP (%)
Transportation Operations	Chugoku JR Bus Company	2,840	Bus Services	100.0
	West Japan JR Bus Company	2,110	Bus Services	100.0
	JR West Miyajima Ferry Co., Ltd.	1,100	Ferry Services	100.0
	Sagano Scenic Railway	200	Railway Services	100.0
Sales of Goods and Food Services	West Japan Railway Isetan Limited	12,000	Department Store	60.0
	West Japan Railway Daily Service Net Company	2,300	Retail Sales	100.0
	West Japan Railway Food Service Net Company	899	Food Services	100.0
	Japan Railway Service Net Hiroshima Company	300	Retail Sales	100.0
	Japan Railway Service Net Okayama Company	230	Retail Sales	100.0
	Japan Railway West Trading Company	200	Wholesale	100.0
	Japan Railway Service Net Kanazawa Company	200	Retail Sales	100.0
	Japan Railway Service Net Yonago Company	200	Retail Sales	100.0
	Japan Railway Service Net Fukuoka Company	200	Retail Sales	100.0
	West Japan Railway Fashion Goods Co., Ltd.	100	Retail Sales	100.0
Real Estate Business	Kyoto Station Building Development Co., Ltd.	6,000	Real Estate Leasing	61.9
	Osaka Terminal Building Company	2,000	Real Estate Leasing	57.4
	Tennoji Terminal Building Co., Ltd.	1,800	Real Estate Leasing	96.7
	Kyoto Station Center Co., Ltd.	1,000	Real Estate Leasing	59.1
	JR-West Japan Real Estate & Development Company	620	Real Estate Leasing	100.0
	Toyama Terminal Building Company	550	Real Estate Leasing	63.6
	West JR Create Company	490	Real Estate Leasing	100.0
	Sanyo SC Development Company	300	Real Estate Leasing	100.0
	Kanazawa Terminal Development Co., Ltd.	300	Real Estate Leasing	80.0
	Hiroshima Station Building Co., Ltd.	100	Real Estate Leasing	100.0
	Tennoji Station Building Co., Ltd.	100	Real Estate Leasing	98.4
	San-in Station Development Co., Ltd.	100	Real Estate Leasing	93.0
	KOBE SC DEVELOPMENT COMPANY	98	Real Estate Leasing	94.0
	Chugoku SC Development Co., Ltd.	75	Real Estate Leasing	100.0
	Wakayama Station Building Co., Ltd.	75	Real Estate Leasing	81.5
	Shin-Osaka Station Store Company	60	Real Estate Leasing	100.0
	Osaka Station Development Co., Ltd.	50	Real Estate Leasing	100.0
	Kyoto Eki-Kanko Department Store Company	40	Real Estate Leasing	96.3
	JR-West Fukuoka Development Co., Ltd.	30	Real Estate Leasing	100.0

SEGMENT	NAME	PAID-IN CAPITAL (Millions of yen)	BUSINESS	EQUITY OWNERSHIP (%)
Other Businesses	West Japan Railway Hotel Development Limited	18,000	Hotels	100.0
	Nippon Travel Agency Co., Ltd.	4,000	Travel Services	79.8
	Hotel Granvia Hiroshima Co., Ltd.	2,800	Hotel	93.1
	Hotel Granvia Osaka Co., Ltd.	2,200	Hotel	52.9
	Hotel Granvia Okayama Co., Ltd.	2,054	Hotel	93.9
	Wakayama Terminal Building Co., Ltd.	1,000	Hotel	61.0
	Sannomiya Terminal Building Co., Ltd.	500	Hotel	67.0
	Kurashiki Station Development Co., Ltd.	320	Hotel	99.1
	JR West Japan LINEN Co., Ltd.	290	Linen, Supply Services	97.4
	JR West Japan Communications Company	200	Advertising Services	100.0
	WEST JAPAN RAILWAY TECHNOS CORPORATION	161	Maintenance for Railcar Facilities	62.7
	JR West Japan General Building Service Co., Ltd.	130	Building Management	95.0
	West Japan Railway MAINTEC Co., LTD.	100	Railcar-Related Cleaning	100.0
	Railway Track and Structures Technology Co., Ltd.	100	Constructing	100.0
	West Japan Railway Techsia Co.,Ltd.	100	Maintenance for Railcar Facilities	69.1
	West Japan Electric Technologys Co., Ltd.	90	Electric Works	100.0
	West Japan Electric System Co., Ltd.	81	Railway-Related Electric Facilities	51.5
	JR West Japan MARUNIX Co., Ltd.	80	Baggage Service	100.0
	JR-West Japan Consultants Company	50	Consulting	100.0
	JR West Financial Management Co., Ltd.	50	Accounting Shared Service	100.0
	JR West Japan Transportation Service Co., Ltd.	50	Station Operations	100.0
	West Japan Railway Golf Co., Ltd.	50	Golf Course Management	88.1
	JR WEST IT Solutions Company	48	Information Services	100.0
	West Japan Railway Hiroshima MAINTEC Co., LTD.	35	Cleaning	100.0
	West Japan Railway Kanazawa MAINTEC Co., LTD.	30	Cleaning	100.0
	West Japan Railway Fukuoka MAINTEC Co., LTD.	30	Cleaning	100.0
	West Japan Railway Rent-A-Car & Lease Co., LTD.	30	Rent-a-Car Services	78.6
	West Japan Railway Okayama MAINTEC Co., LTD.	25	Cleaning	100.0
	West Japan Railway Fukuchiyama MAINTEC Co., LTD.	20	Cleaning	100.0
	West Japan Railway Yonago MAINTEC Co., LTD.	20	Cleaning	100.0
	WEST JAPAN RAILWAY SHINKANSEN TECHNOS CORPORATION	20	Maintenance for Railcar Facilities	100.0
	West Japan Railway WelNet Co., Ltd.	10	Welfare Facilities Management	100.0

Corporate Data

As of March 31, 2010

COMPANY NAME
West Japan Railway Company

HEAD OFFICE
4-24, Shibata 2-chome, Kita-ku, Osaka
530-8341, Japan

PAID-IN CAPITAL
¥100 billion

NUMBER OF EMPLOYEES
26,443

STOCK LISTINGS
Tokyo, Osaka, Nagoya, and Fukuoka
stock exchanges

TRANSFER AGENT
The Sumitomo Trust & Banking Co., Ltd.

MAIN FEATURES OF BUSINESS

Railway
(Non-Consolidated Basis)

Route Length and Track Gauge
51 lines; 5,012.7 km
Shinkansen (1 line): 644.0 km; 1,435 mm
Conventional lines (50 lines):
4,360.2 km; 1,067 mm
8.5 km; 1,435 mm

Double- and Multi-Tracked Section Length
2,253.2 km (44.9% of total route length)

Electrified-Section Length
3,385.7 km (67.5% of total route length)

Number of Stations
1,222

Rolling Stock
6,665 cars
- Electric railcars: 5,809
  - Shinkansen: 931
  - Conventional lines: 4,878
- Diesel railcars: 465
- Passenger cars: 77
- Freight cars: 229
- Electric locomotives: 26
- Diesel locomotives: 54
- Steam locomotives: 5

Number of Passengers per Year
1,776 million
- Shinkansen: 58 million
- Conventional lines: 1,731 million

Passenger-Kilometers per Year
52,011 million
- Shinkansen: 14,818 million
- Conventional lines: 37,192 million

Train-Kilometers per Day
543,000 km
- Shinkansen: 108,000 km
- Conventional lines: 434,000 km

Other Business

Bus Services

Ferry Services

Sales of Goods and Food Services
Retail and food service operations
Department store operations
Wholesale operations

Real Estate Business
Shopping center management
Real estate brokerage and leasing

Other Businesses
Travel agency
Hotels
Advertising services
Electrical engineering
Maintenance for railcar facilities
Construction consulting
Railcar-related cleaning
Rent-a-car services
Management of welfare facilities
Merchandise leasing
Construction
Information service

For further information, please contact the Investor Relations section of the Corporate Planning Headquarters at the West Japan Railway Company Head Office.

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WEST JAPAN RAILWAY COMPANY

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